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ANNUAL ECONOMIC REPORT

2001

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 standard of living
of the people of Thailand

Vision

A dynamic learning organization,
proactively adapting and responding
to the changing environment

Values

Open Communication
Teamwork
Efficiency
Accountability
Competence
Honesty and Integrity



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2001

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SUMMARY REPORT

Economic Performance in 2001*

The Thai economy in 2001 is expected to grow by around 1.5 percent or slightly higher (on 18 March 2002, Office of the National Economic and Social Development Board released the official figure for GDP growth in 2001 to be 1.8 percent), particularly on the back of domestic demand which was mainly stimulated by government expenditure. Economic stability remains satisfactory as inflation rate was low at 1.6 percent and the trade balance and current account remained in surplus, though lower than that recorded in the previous year. The lower surplus was due to the decline in exports which was adversely affected by the world economic slump. Meanwhile, capital continued to flow out due to debt repayments, but slowed down significantly from last year. Hence, the balance of payments recorded a surplus in contrast to a deficit in 2000. This led to an improvement in the stability of the Baht as well as an increase in official reserves.

Liquidity in the money market remained high in 2001, with deposit growth exceeding lending growth. This resulted in a reduction in the average bank deposit and lending rates from the previous year. Meanwhile, the amount of **credits** extended by commercial banks (including bad debts and loan-assets that have been transferred to Asset Management Companies (AMCs), but excluding credits extended to AMCs) rose slightly. At the same time, commercial banks' profitability has started to improve in 2001.

Production, Domestic Demand, and Inflation

Agricultural Sector

Major crops output slowed down from the previous year, particularly output of rice, which was induced by the fall in price of rice and the reduction in plantation area. The output of cassava and sugar cane also declined, due to the insect infestation.

Despite the price fall in rice, the average price of major crops rose on average by 3.2 percent in line with the increase in prices of oil seeds, grains and food crops, notably cassava, fruits and vegetables. This resulted in an increase in **farm income** of 5.4 percent. The growth in farm income which was higher than the inflation rate helped to raise farmers purchasing power which in turn boosted domestic consumption.

* *The Bank of Thailand's Annual Economic Report information as of 22 February 2002.*

Manufacturing Sector

The Manufacturing Production Index (MPI) expanded by 1.3 percent in 2001, moderating from 3.3 percent in 2000. Growth in the manufacturing sector was dragged down by the export-oriented industry whose production contracted due to the slump in the global trade and world economy. Nevertheless, domestic-oriented industries continued to expand favourably, notably automobiles and construction materials in response to domestic demand which was boosted significantly by the government's three economic stimulus measures. Meanwhile, production of beverages improved as liquor producers raised their production in the fourth quarter of 2001. On the whole, capacity utilization averaged at 54.0 percent in 2001, declining from 55.9 percent last year.

Domestic Expenditure

Private consumption grew at a decelerating rate compared with last year, as indicated by a slowdown in the growth of **Private Consumption Index (PCI)**, **which dropped** from 3.4 percent in 2000 to 2.6 percent in 2001. This was reflected in the slowdown in retail sales (at constant price), imported consumer goods (at constant price) and sales of motorcycles following this year's overall economic slowdown. As a consequence, consumers became more cautious in their spending due to eroded confidence. However, other factors supporting private consumption included a slight improvement in farm income and low interest rates, providing incentives for durable consumption such as passenger cars, which continued to expand satisfactorily.

Private investment grew moderately during the first half of the year before contracting in the third quarter. This investment trend followed the slowdown in domestic activity as well as the slump in the world economy that caused export-related industries to cut back their investments. Furthermore, excess capacity remained, and demand for machines and equipment continued to shrink.

Price Level

The Consumer Price Index (CPI) remained low throughout the year. This was due to weak domestic demand and reduced pressure from oil prices since mid-year. The average price of oil in the Dubai market fell by 13.0 percent from last year in line with the decline in oil demand, following the global economic slowdown and OPEC's failure to cut oil production.

The CPI rose 1.6 percent in 2001 owing primarily to the rise in prices of non-food items as well as the rise in excise tax rates, following the cabinet's approval on 27 March 2001, and the rise in oil prices during the first half of the year.

Public Expenditure

Public spending was a crucial factor in stimulating the economy. In FY 2001, public sector deficit was equivalent to 3.5 percent of GDP. The disbursement rate stood at 88.4 percent—slightly lower than the target—while government revenue increased by 2.4 percent close to the target. In the first quarter of FY 2002, public sector deficit was equivalent to 1.5 percent of GDP.

Key fiscal policies implemented in 2001 included:

1. The reduction in the corporate income tax rate for listed companies in the Stock Exchange of Thailand, the Market for Alternative Investment (MAI), and Small and Medium Enterprises (SMEs) with registered paid-up capital not exceeding B5 million and net profit not exceeding B3 million;

2. Corporate income tax exemption for dividends received from venture capital businesses;

3. The extension of the temporary reduction in the value-added tax rate to 30 September 2002;

4. The allocation of a contingent budget of B58,000 million for economic stimulation purposes in FY 2002;

5. The adoption of a 3 year programme of debt suspension and debt relief for farmers, the establishment of the Village Funds and the People Bank to support the grass-root economy;

6. The expedition of budget disbursements to stimulate economic growth;

7. Establish housing finance projects and other related measures to boost the real estate businesses; and

8. The acceleration of structural reform through the promotion of favourable investment climate, international competitiveness and privatization.

External Sector

Current Account and Balance of Payments

The current account balance declined from last year to US\$6.2 billion, with a significant reduction in the trade balance. This was due to the sharp fall in exports, as trading partners' demand fell in line with the global economic slowdown. Net services income and transfers registered a surplus close to that of last year's, while the capital account registered a smaller deficit following a reduction in foreign

debt repayments. As a result, the balance of payments recorded a surplus of US\$1.3 billion.

Exports

Exports in US dollar terms contracted by 6.9 percent from the previous year due to the slowdown in demand from trading partners, in particular the United States and Japan, Thailand's major markets together which account for 35 percent of Thailand's total exports. The reduction was observed in almost all types of goods, especially manufacturing goods; of which integrated circuits were the hardest hit, with a contraction of 21.7 percent. Nevertheless, export goods which continued to expand include frozen poultry, precious stones, automobile and parts, and sugar.

Imports

Weak domestic demand and the significant fall in exports caused the value of imports, in US dollar terms, to contract by 2.8 percent from the same period last year. The contraction was experienced in consumer goods, notably durable goods such as electrical appliances which fell by 24.4 percent, while imports of raw materials contracted by 5.8 percent. However, import of capital goods (excluding aircraft) expanded slightly by 5.1 percent due to the limitation of domestic investment.

Furthermore, the terms of trade which deteriorated from 2000 was another factor, apart from the world economic slump, that caused a reduction in the trade surplus in 2001.

Monetary Sector

Liquidity in the money market remained high inducing Thai commercial banks to lower their interest rates in 2001. The four largest Thai commercial banks reduced their rates by 0.50 percent in February and another 0.25 percent in December. This resulted in a reduction in the 3-month deposit rate and Minimum Lending Rate (MLR) to 2.25 and 7.0 - 7.5 percent, respectively.

The high liquidity in the money market stemmed from a continuation of **deposit** growth, which reached 4.0 percent per annum at the end of December 2001, while the growth of **credits** extended by commercial banks (including bad debts and loan-asset transfers to AMCs, excluding credits extended to AMCs) increased by 0.7 percent per annum. However, commercial banks' performance has improved in 2001.

In 2001, the Bank of Thailand (BOT)'s monetary policy stance was highlighted by the increase of the 14 day repurchase rate on 8 June 2001 from

1.5 percent to 2.5 percent, with the aim to correct the distorted structure of local short-term interest rates and restore external stability. This resulted in an overall improvement in the balance of payments, an increase in international reserves and stability of the Baht. After the distorted structure of the short-term interest rate was resolved and external stability was achieved, the BOT lowered the 14-day repurchase rate from 2.5 percent to 2.25 percent on 25 December 2001, in line with the declining trend of the world interest rate. This allowed monetary policy to be more accommodative to growth.

In addition to the accommodative interest rate policies, the authorities expedited the process of financial restructuring and resolved problems in the business sector by :

1. Speeding up the establishment of Thai Asset Management Corporation (TAMC) and the transferring of commercial banks' non-performing loans (NPLs) to TAMC thereby allowing them to resume their intermediation function;
2. Encouraging credit extension to SMEs;
3. Providing support to existing and newly set up venture capital businesses.
4. Preparing for the establishment of the Matching Fund which is a joint-investment between the Government and businesses.

Economic Outlook for 2002

The expansion of the economy in 2002 is expected to improve, following the world economic recovery and the supportive government's stimulus package such as the Village Funds, housing loan initiatives and other stimulus measures. With such favourable environment, the economy is expected to grow between 2.0 - 3.0 percent in 2002. In addition, the virtual absence of inflationary pressure (from both demand-pull and cost-push) will help raise consumers' and investors' confidence.

However, there are downward risks in the future recovery of the Thai economy. First is the non-recovery in the world economy or the slower than expected world economic recovery which will adversely affect the export sector, and may spill over to other production sectors, private consumption and investment. The other risk is the effectiveness of the government stimulus measures whether they can lend support for sustained growth in 2002.

ECONOMIC DEVELOPMENTS IN 2001

Overall Developments

Production

A. Agricultural Sector

In 2001, farm income from the major crops grew favourably by 5.4 percent year-on-year, both in terms of price and output.

Prices of major crops rose by 3.2 percent year-on-year in line with the increase in prices of grains and food crops as following:

1. Cassava prices increased markedly by 39.7 percent year-on-year following a reduction in supply and continued demand by China in alcohol production.

2. Sugarcane prices rose by 26.8 percent due to the adjustment of the initial price of sugarcane for the crop year 2000/01 (during November 2000 to October 2001) from the preliminary price of B600 per ton to the final price of B669.93 per ton in line with world market price.

Major crops production increased by 2.2 percent due to the following items:

1. Second-rice crop production rose by 17.5 percent in line with an increase in planting areas.

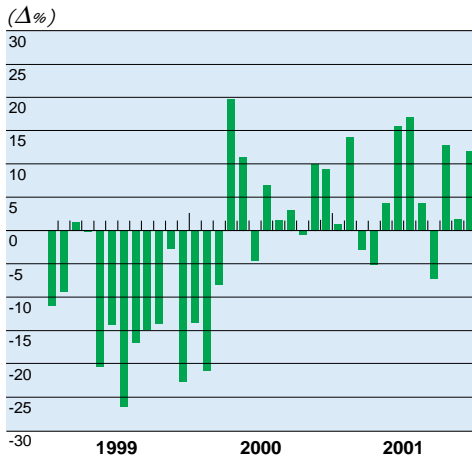
2. Natural rubber increased by 2.8 percent due to an increase in tappable areas especially in the northeastern region.

3. Palm oil rose by 4.5 percent in line with an increase in harvested areas.

Thai farm prices in 2001 grew by 2.6 percent, in line with the 3.2 percent and 10.1 percent increase in prices of crops and livestock, respectively, as a result of favourable exports performance for cassava and broiler. In contrast, fishery prices fell by 4.5 percent following a 10.9 percent decline in the prices of prawn as a result of the global economic slowdown which brought about a sharp decrease in world market demand, especially in the second half of 2001.

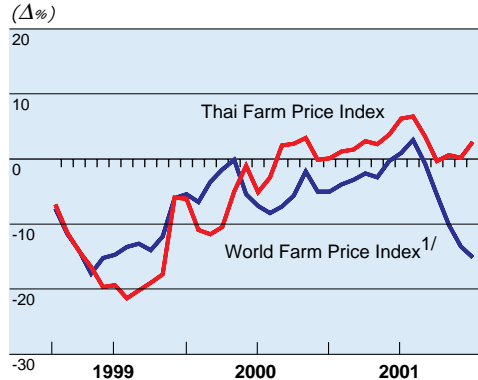
World farm prices fell by 4.4 percent in line with the reduction in prices of rice and coffee as a result of excess supply. Moreover, prices of natural rubber also declined following a reduction in demand as a result of the global economic slowdown.

Change in Farm Income (Major Crops)



Source : Change in farm income calculated from change in major crop production index and change in major crop price index.

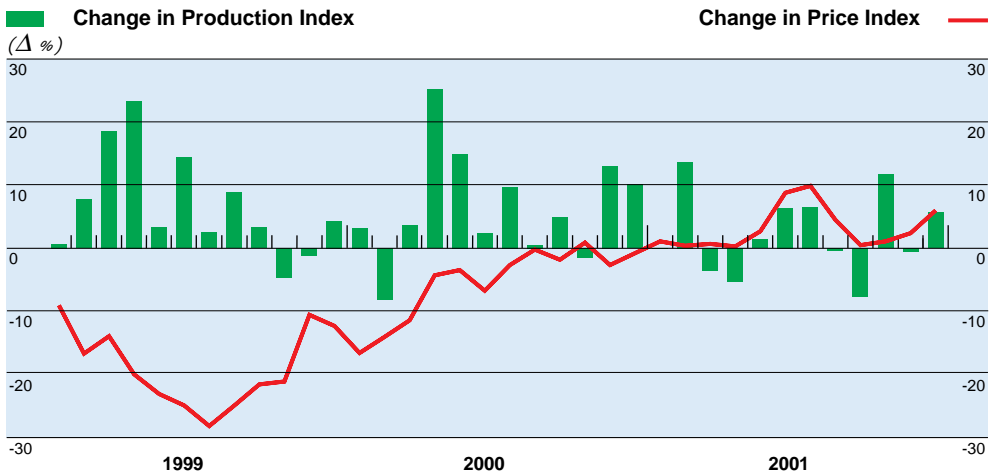
Change in Thai and World Farm Price Index



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

Source : World farm price index constructed using data from World Bank.

Change in Major Crop Production and Price Index



Source : Major crop production index constructed using data from Ministry of Agriculture and Cooperatives

Livestock production in 2001 expanded from the previous year, particularly the production of broiler as a result of the healthy expansion of exports as international demand for substitutes for beef and swine rose following the concerns over the foot and mouth diseases. In addition, Japan which is the main export market of Thailand sanctioned broiler imports from the United States and China (Thailand's competitors) in the fourth quarter of 2001 as a result of the "bird flu" virus. This in turn, shifted purchase orders to Thai exporters. Swine production registered a decline due to an epidemic during the second half of 2001, leading to some losses of production. Similarly, egg production registered a decline following an attempt to control the supply into the market in order to prevent a fall in prices that was experienced in 2000.

Table 1: Farm Price*(Unit : Baht/ton)*

	1999	2000			2001			
	Year	H1	H2	Year	H1	Q3	Q4	Year
Farm Price Index* (1995 =100)	111.6	106.4	109.0	107.7	109.6	112.5	110.3	110.5
Δ%	-15.4	-7.5	0.8	-3.5	2.9	3.2	1.1	2.6
Crop Price Index*	105.6	98.8	100.7	99.8	101.1	105.0	104.5	102.9
Δ%	-19.8	-9.6	-1.0	-5.5	2.3	4.9	3.1	3.2
Hom Mali Paddy	6,892	7,073	7,626	7,349	5,992	5,166	4,855	5,501
Δ%	-15.5	9.5	4.1	6.6	-15.3	-36.0	-32.4	-25.2
Paddy Class 1	5,459	4,794	5,081	4,937	4,447	4,762	4,639	4,574
Δ%	-18.2	-15.7	-2.9	-9.6	-7.2	-9.4	-5.4	-7.4
Rubber	17,930	21,010	21,960	21,480	22,400	21,120	17,860	20,940
Δ%	-22.6	19.8	19.9	19.8	6.6	-2.1	-20.1	-2.5
Maize	4,214	4,740	3,787	4,263	3,912	3,907	3,977	3,927
Δ%	-7.8	14.6	-11.8	1.2	-17.5	6.6	1.8	-7.9
Cassava	770	640	610	620	750	1,010	970	870
Δ%	-44.5	-24.6	-12.2	-19.0	18.0	69.7	55.6	39.7
Livestock Price Index*	115.2	102.7	103.9	103.3	110.2	119.5	114.6	113.7
Δ%	2.4	-15.7	-4.4	-10.3	7.4	13.5	11.8	10.1
Fishery Price Index*	127.1	134.3	140.5	137.4	135.7	129.4	124.2	131.3
Δ%	-16.2	6.4	9.8	8.1	1.1	-8.3	-11.2	-4.5
Wood Product Price Index*	97.1	100.9	104.7	102.8	103.8	103.4	103.4	103.6
Δ%	-6.3	-21.3	-17.4	-19.4	2.9	-2.4	-0.1	0.8

Note : * *Rebasing from 1984 to 1995**Δ% represents the percentage change from the same period of the previous year.***Source :** *Farm Price Index constructed using data from Fish Marketing Organization, Ministry of Agriculture & Cooperatives and Department of Internal Trade, Ministry of Commerce.*

In 2001, livestock price index rose 10.1 percent in line with the 12 percent, 7.7 percent and 15.5 percent increases in broiler, swine and egg prices, respectively. The increase in broiler prices was due to an expansion in demand in both domestic and foreign markets, whereas the increase in swine and egg prices stemmed from a contraction in production levels.

Landing fishery output in 2001 fell by 4.9 percent due to a sharp increase in fishery cost as a result of significantly high oil prices in the first 3 quarters of the year. The reduction in output was also attributable to the closure of off-territorial

Table 2 : Major Crop Indicator*(Unit : Million ton)*

	1997/98	1998/99	1999/00	2000/01	2001/02	Δ%
Thai Crops Production ^{1/}						
Paddy	23.34	23.45	24.17	25.60	24.87	-1.7
First crop	18.79	18.66	19.02	19.55	19.56	0.03
Second crop	4.55	4.79	5.16	5.74	5.31	-12.3
Rubber	2.07	2.16	2.20	2.38	2.44	2.8
Maize	3.83	4.62	4.29	4.40	4.42	0.6
Cassava	15.59	16.51	19.06	18.27	17.81	-2.5
Sugarcane	45.85	52.84	56.10	51.48	54.35	5.6
Mungbean	0.20	0.23	0.25	0.23	0.24	4.3
Soybean	0.34	0.32	0.32	0.32	0.33	2.1
Oil Palm	2.68	2.46	3.51	3.26	3.73	14.6
Coffee	0.08	0.05	0.08	0.09	0.07	-12.4
World Crops Production ^{2/}						
Grains						
Production	1,888.0	1,871.9	1,871.0	1,835.2	1,841.6	0.3
Trade	217.3	223.2	239.4	229.7	229.3	-0.2
Rice (milled)						
Production	386.9	394.1	408.5	397.0	392.6	-1.1
Trade	27.7	24.9	22.9	23.7	22.5	-5.5
Maize						
Production	575.4	605.7	607.1	585.4	583.4	-0.3
Trade	62.9	68.6	73.2	75.6	72.4	-4.2
Soybean						
Production	158.1	159.8	159.9	174.3	182.8	4.9
Trade	40.5	38.7	46.7	55.2	59.3	7.4
Rubber						
Production ^{3/}	6.8	6.8	6.8	7.0	7.1	2.1
Consumption	6.5	6.7	7.3	7.5	7.7	2.5

Note : 1/ *Estimated in September 2001*2/ *Estimated in January 2002 except rubber estimated in October 2001*3/ *Rubber and second-crop paddy production is based on the calendar year, i.e., the figures in 2001/02 are the production during January to December 2002.**Δ% represents the percentage change from the same period of the previous year.***Source :** *Office of Agricultural Economics, Ministry of Agriculture and Cooperatives
World Agricultural Supply and Demand, USDA. Grain: World Markets and Trade, January 2002**World Commodity Forecasts : Industrial Raw Materials, October 2001, EIU*

water fishing regulation by the Union of Myanmar and the increase in the off-territorial fee as well as tightened fishing regulations in Indonesia which inhibited off-territorial water fishing of Thai fishermen.

Fishery price index in 2001 fell by 4.5 percent given the substantial fall in the prices of prawn, notwithstanding the increases in the prices of other fishery products.

B. Manufacturing Sector

In 2001, manufacturing production registered an increase of 1.3 percent, moderating from an increase of 3.3 percent in the previous year. The main factor impeding manufacturing growth was the slowdown in exports following the sluggish world economy. However, the decline in oil prices in 2001 helped maintain a positive growth in manufacturing production.

Capacity utilization in 2001 dropped to 54.0 percent from the rate of 55.9 percent in 2000. This reduction was partly attributable to the gradual expansion in production capacity of the automobile, beer, petroleum and electronic industries since the second half of 2000. However, excluding these industries, capacity utilization in 2001 would have been 57.3 percent, close to that of last year's. Overall, industries which recorded full or nearly full capacity utilization in 2001 were pulp and upstream petrochemical industries.

Industries exhibiting favourable growth in 2001

– **Vehicles and transport equipment** continued to expand rapidly in line with strengthened domestic demand for passenger cars and motorcycles following intensive promotional campaigns by car manufacturers. In contrast, the production

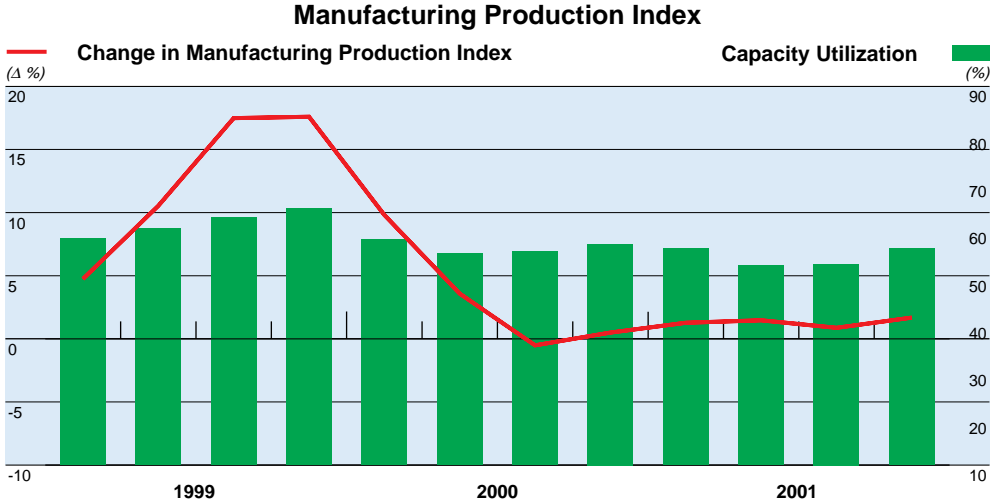


Table 3: Manufacturing Production*
(percentage change)

	1999	2000	2001 ^P
Food	15.8	2.5	-2.8
Beverage	22.4	-41.7	13.4
Tobacco	-9.9	-1.3	-3.0
Textile	-1.2	3.2	0.6
Petroleum	2.1	-0.9	2.2
Construction Materials	12.3	0.1	9.9
Iron & Steel Products	12.2	15.8	2.5
Vehicles and transport equipment	79.1	25.5	23.4
Electronic & electrical appliances	12.0	31.6	-26.8
Jewellery	14.4	28.5	3.9
Others	12.5	14.9	0.5
Total	12.5	3.3	1.3
(Excluding liquor)	10.4	10.9	0.7

Note : * Covering 62.4 percent of overall value added in manufacturing sector

P = Preliminary

of commercial vehicles contracted since mid-year in response to the moderation of exports to the European markets, which experienced sharp economic slowdown. Capacity utilization rate of the vehicles and transport equipment industry stood at 44.5 percent, increasing from 40.1 percent in the previous year, which was partly the result of the increase in production capacity since the second half of 2000.

– **Beverage** registered an increase of 13.4 percent in line with domestic demand. The most notable was the surge in liquor production in the fourth quarter of 2001, to replenish the depleted stock from 2000. The capacity utilization rate in the fourth quarter of 2001 rose to 44.5 percent compared to 10.8 percent in the first 3 quarters, resulting in an overall average capacity utilization rate of 37.3 percent for this industry.

– **Construction materials** expanded by 9.9 percent in line with the acceleration of cement production in the fourth quarter following a recovery in construction businesses. This recovery was due to the increase in constructions of infrastructure projects and housing, which was caused by competitions of financial institutions' loans programmes. The capacity utilization rate of this industry was 54.8 percent, increasing from 50.1 percent in the previous year.

Industries exhibiting moderate growth

– **Jewellery production** registered a moderate increase of 3.9 percent. This was in line with the general export slowdown following a decline in purchasing orders from the United States, Thailand's major export market, after the terrorist attacks and the ensuing sluggish economic conditions. However, other major export markets such as the UK, Germany and Japan still expanded favourably.

– **Iron and steel products** expanded by a moderate 2.5 percent, representing a significant slowdown following two consecutive years of high growth. The capacity utilization rate of this industry stood at 50.9 percent, increasing from the previous year.

– **Petroleum products** rose by 2.2 percent where the production of fuel oil, gasoline, and diesel in excess of domestic consumption were exported. Capacity utilization in this category stood at 74.7 percent, decreasing from the previous year.

– **Textiles** registered a small increase of only 0.6 percent, moderating from last year. The decrease in production was attributable to the contraction of exports in all categories of textile products in the second half of 2001 as a result of the slowdown in Thailand's main trading partners' economies, namely the United States, EU and Japan.

Table 4 : Capacity Utilization *
(Unit : Percentage)

	1999	2000	2001 ^P
Food	42.4	43.8	42.8
Beverage	101.9	32.6	37.7
Tobacco	54.4	53.7	52.1
Construction Materials	49.8	50.1	54.8
Iron & Steel Products	39.1	46.8	50.9
Vehicles and transport equipment	35.6	40.1	44.5
Petroleum	85.7	83.9	74.7
Electronic & electrical appliances	53.4	66.0	48.2
Others	72.9	75.4	77.0
Total	61.2	55.9	54.0
(Excluding liquor)	56.3	59.5	56.6

Note : * Covering 44.5 percent of overall value added in manufacturing sector
P = Preliminary

– **Other manufacturing productions** increased slightly by 0.5 percent in line with the production of tin, upstream petrochemical and compressor. By contrast, the production of block rubber decreased markedly following the stagnant export conditions.

Industries experiencing a slump

– **Electronic and electrical appliances** considerably fell by 26.8 percent. This was largely attributable to the 37.8 percent and 16.2 percent respective decreases in output of integrated circuits and television sets affected by the economic slowdown of the main export markets, namely the United States and Japan. This sector has contracted but at a lesser rate since September 2001.

– **Tobacco production** registered a decline of 3.0 percent. The capacity utilization dropped to 52.1 percent owing to intense competition with both legally and illegally imported tobacco products.

– **Food production** dropped by 2.8 percent in response to a significant decline in the production of sugar which was caused by crop epidemic. However, the production in this sector began to pick up in the second half of 2001 following the export increase in canned pineapple and canned seafood.

C. Mining Sector

In 2001, mining production grew by 2.6 percent in line with a rise in

Table 5 : Mining Production Index
(percentage change)

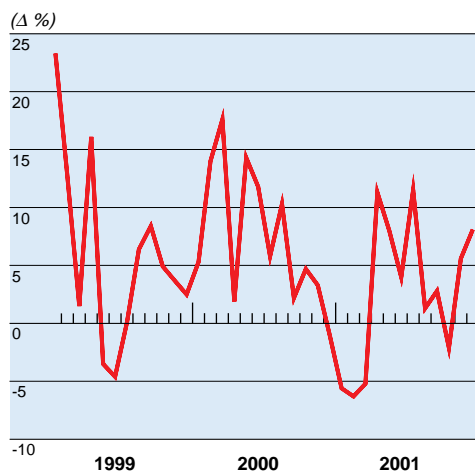
Production	2000	2001	2001				
	Year	Year	H1	Q3	Q4	Nov. ^P	Dec. ^E
Mining Production Index	162.7	167.0	162.6	175.1	167.9	170.5	165.2
Δ%	7.4	2.6	0.9	5.1	3.8	5.6	8.1
Natural gas	4.8	-2.7	-3.5	0.3	-1.8	-3.4	-3.5
Lignite	-2.9	10.6	3.3	18.4	14.6	23.3	31.2
Limestone for cement industry	-10.4	6.8	4.2	2.9	15.1	33.0	13.4
Crude oil	73.3	7.0	10.2	2.8	2.4	4.5	13.4
Tin	-30.5	0.7	29.7	-12.0	-42.1	-40.6	-21.3

Note : P = Preliminary E = Estimated

Δ% represents the percentage change from the same period of the previous year.

Source : Index constructed using data from Department of Mineral Resource,
Ministry of Industry.

Mining Production Index



Number of Tourists and Occupancy Rate



limestone and lignite production. For 2002, mining production is expected to edge up continuously in line with the higher natural gas consumption and the rising crude oil production at Kaphong, Surat and Plamuk sites.

D. Tourism Sector

In 2001, the tourism sector grew moderately, with the number of international tourists expanding by a mere 5.7 percent (a decline from 10.8 percent growth last year). This was a direct result of the terrorist attacks in the United States in September, which resulted in a marginal increase in international tourists arrival of only 1.4 percent in the fourth quarter of 2001. However overall situation still remained satisfactory as the reduction in the number of tourists from the United States and Japan was offset, to some extent, by the increase in the number of tourists from Asia and Oceania. In addition, hotel occupancy rate increased slightly from 58.9 percent in the previous year to 59.2 percent this year.

Table 6 : Number of Tourists Arrivals

	2000 Year	2001 ^P Year	2001				
			H1	Q3	Q4 ^P	Nov. ^P	Dec. ^P
1. Number of international tourists (1,000 persons)	9,509	10,047	5,004	2,441	2,603	853	1,030
Δ%	10.8	5.7	7.9	6.0	1.4	-2.9	10.2
2. Occupancy rate (%)	58.9	59.2	61.9	56.0	58.1	60.3	60.7

Note : P = Preliminary

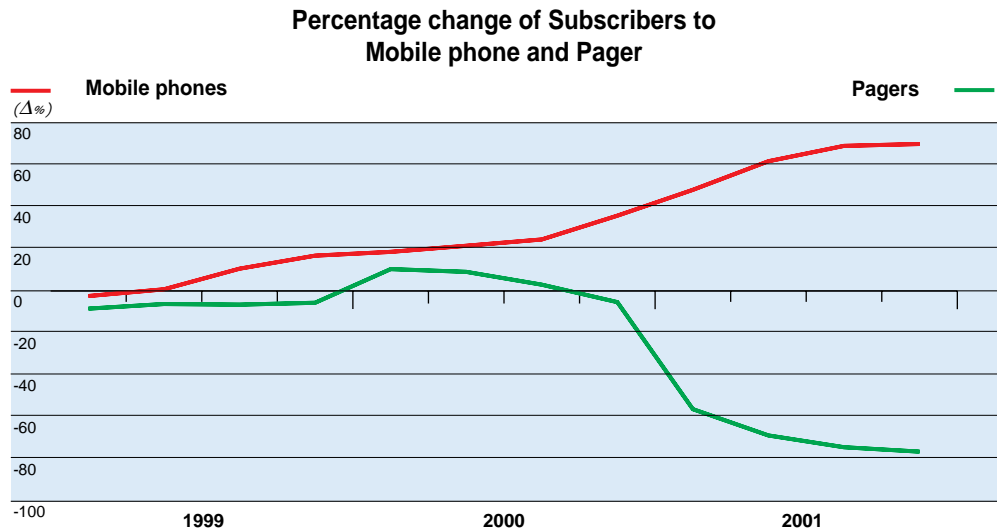
Δ% represents the percentage change from the same period of the previous year.

Source : 1. Number of tourists data from Tourism Authority of Thailand

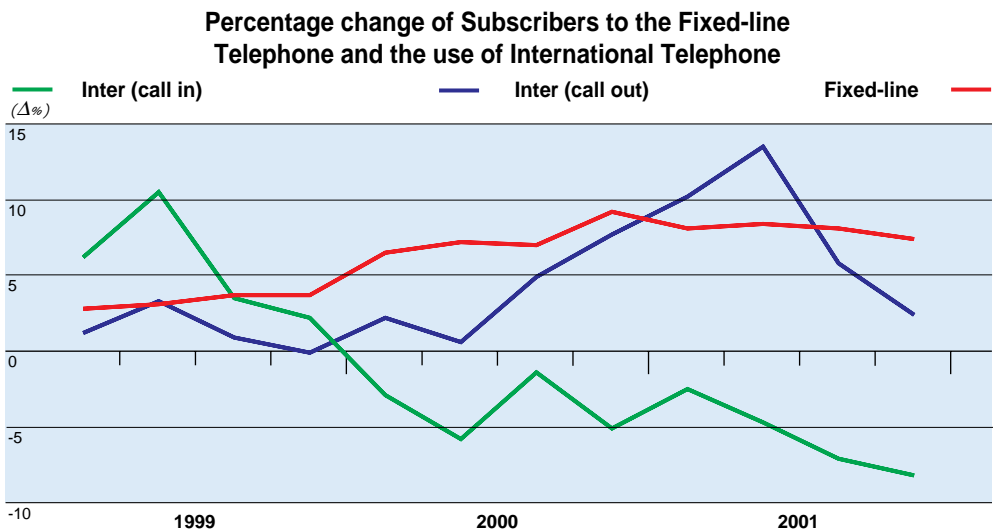
2. Occupancy rate survey from 165 medium and large hotels throughout the country (45 hotels in Bangkok, 120 hotels outside Bangkok)

E. Telecommunication Sector

Telecommunication in 2001 continued to expand as the number of mobile phone subscribers rose substantially by 69.9 percent, with 5.3 million numbers now in use. This was due to a rise in the popularity of mobile phones and competing sales promotions such as a discount of handset prices and service charges. Being gradually replaced by mobile phones, basic telephones expanded moderately by 7.4 percent, or totalling 6.1 million numbers. Meanwhile, the number of pager users also declined dramatically to 250,000 numbers or a reduction of 76.4 percent. This was due to a shift of users away from pager toward PCT and mobile phone which are more convenient.



Source : Telephone Organization of Thailand (TOT) and Communication Authority of Thailand (CAT)



Source : Telephone Organization of Thailand (TOT) and Communication Authority of Thailand (CAT)

Table 7 : Type of Telecommunication services*(Unit : Line)*

Service	2000	2001 ^P	2001		
	Year	Year	H1	Q3	Q4 ^E
Fixed-line*	5,677,756	6,100,000	5,973,493	6,042,491	6,100,000
Δ%	9.2	7.4	8.4	8.1	7.4
Mobile telephone*	3,120,196	5,300,000	4,138,837	4,611,254	5,300,000
Δ%	35.8	69.9	61.7	69.0	69.9
Paging*	1,057,804	250,000	366,829	287,403	250,000
Δ%	-5.3	-76.4	-68.7	-74.3	-76.4
International Telephone* (million calls)					
– Call in	96.41	91.01	46.59	22.44	21.98
Δ%	-3.8	-5.6	-3.6	-7.1	-8.2
– Call out	98.25	106.00	53.95	25.95	26.10
Δ%	3.8	7.9	11.8	5.8	2.4

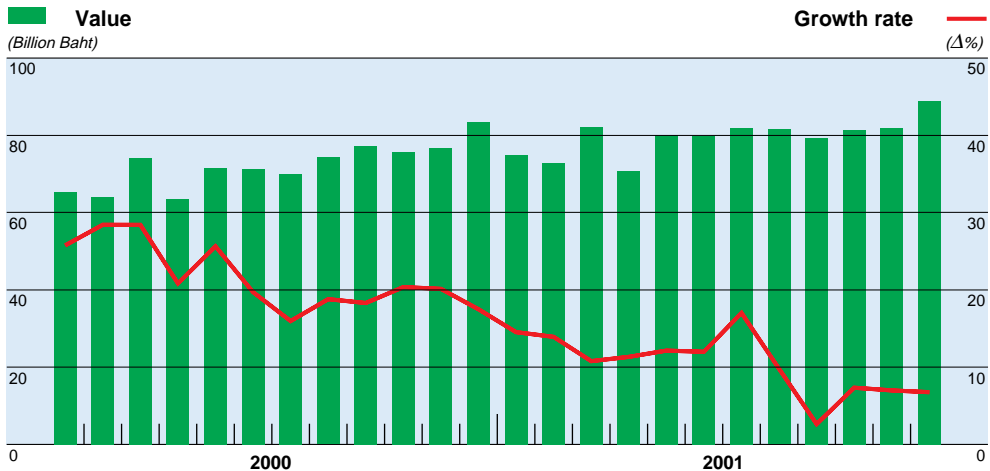
Note : * *Data as the end of period*P = *Preliminary* E = *Estimated**Mobile phone data covers only post-paid system.**Δ% represents the percentage change from the same period of the previous year.***Source :** *TOT and CAT*

Regarding international calls, out-going calls increased by 7.9 percent, bringing the total to 106 million calls whereas incoming calls dropped by 5.6 percent, the current number totalling 91 million calls. However, a rise in popularity of communication in the form of PC to PC (between personal computers) via Internet network such as Net 2 Phone, Hot Telephone, MSN Messenger and Yahoo Messenger may be a significant competitor to international calls.

F. Trade Sector

In 2001, GDP of the trade sector grew approximately by 1.5 - 2.0 percent, in line with the slowdown in other sectors, as some traditional retailers terminated their businesses due to the loss of their market share to the large retailers. Total outstanding trade of both large and medium-sized retailers reached B957,400 million (at 1995 constant price), a slowdown from the previous year. Nevertheless this was a significant growth of 10.4 percent in line with the expansion of sale of modern retail business particularly supercenters, through their branch expansion efforts in Bangkok and other provinces. They also used price competition strategies, as well as sales promotion by offering their own consumer credit installment services or that of their business allies. These conveniences thus contributed to the rise in consumer purchase power.

Thailand Monthly Retail Sales (Real-Term)



Source : Bank of Thailand

Table 8 : Value of Retail Sales (Real-Term)*

	2000 Year	2001 ^E Year	2001		
			H1	Q3	Q4 ^E
Value (Million Baht)	867,305	957,400	460,838	242,742	253,600
Growth rate (%)	21.4	10.4	12.4	9.6	7.6

Note : * Total outstanding trade of both large and medium-sized retailers
E = Estimated

Source : Bank of Thailand

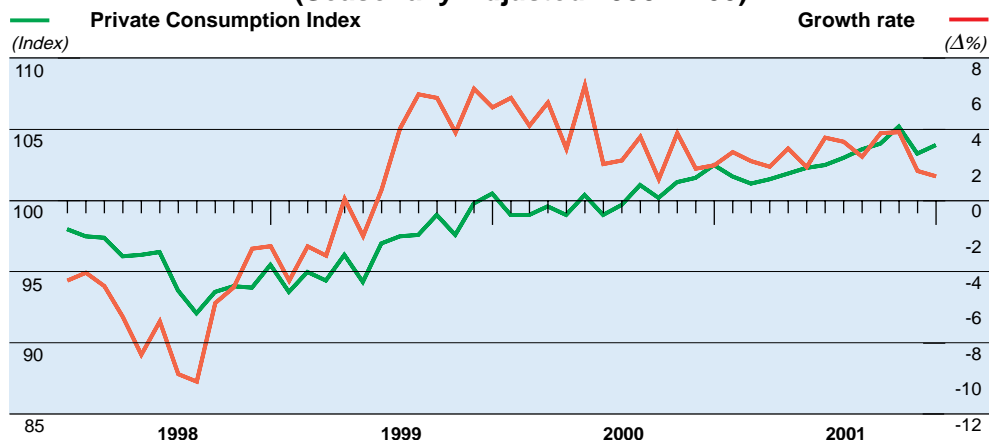
Domestic Expenditure

A. Private Consumption

In 2001, private consumption in general continued to grow compared to last year. However, private consumption started to slow down during the fourth quarter, especially the imports of consumer goods which had been declining consistently since the second quarter.

Nevertheless, other consumption indicators remained on a rising trend. These include sales of passenger cars and motorcycles which grew by 25.8 percent and 16.4 percent, respectively. Their expansion was mainly attributed to the success in promotional strategies of both producers and dealers, as well as the lower interest rates levels.

Private Consumption Index* (Seasonally Adjusted 1995 = 100)



Note : * Constructed from 9 private consumption indicators (seasonally adjusted, SA)

B. Private Investment

Preliminary private investment indicators showed that private investment started to recover in the fourth quarter of 2001 but remained slightly weaker compared to the same period last year (Office of the National Economic and Social Development Board's released official figure shows that private investment in the third quarter of 2001 declined by 1.8 percent year-on-year). This was caused by a rapid expansion in investment in construction. By contrast, investment in machinery and equipment continued to fall.

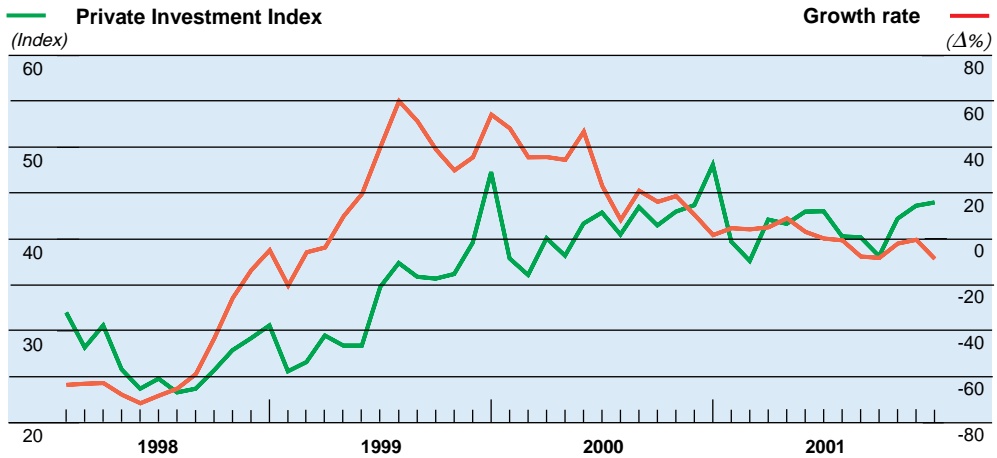
In 2001, machinery and equipment investment indicators fell considerably, mainly reflecting a decline in imports of machinery and equipment by 11.2 percent. Meanwhile, construction continued to expand, especially in the second half of the year. This led to a downward adjustment in the preliminary private investment indicator estimation by 0.3 percent compared to a rise of 22.7 percent in 2000.

Imports of capital goods contracted significantly, particularly in the second half of 2001. This was on account of weak exports and low private expenditures, as well as the persistently low capital utilization rate. In addition, the conflict between the United States and Afghanistan was an adverse factor to investment expansion.

Domestic commercial car sales declined notably in the second half of 2001. This resulted in a modest rise of 7.5 percent compared to 18.2 percent last year, in part due to the slow pace of economic activities which considerably lowered truck sales.

Domestic cement sales accelerated from the previous year, particularly in the last quarter, owing to the sizable government construction projects and the

Private Investment Index



Source : Bank of Thailand survey.

expansion of the housing market which were positively affected by the government's real estate measures and the interest rate reduction.

Labour Conditions

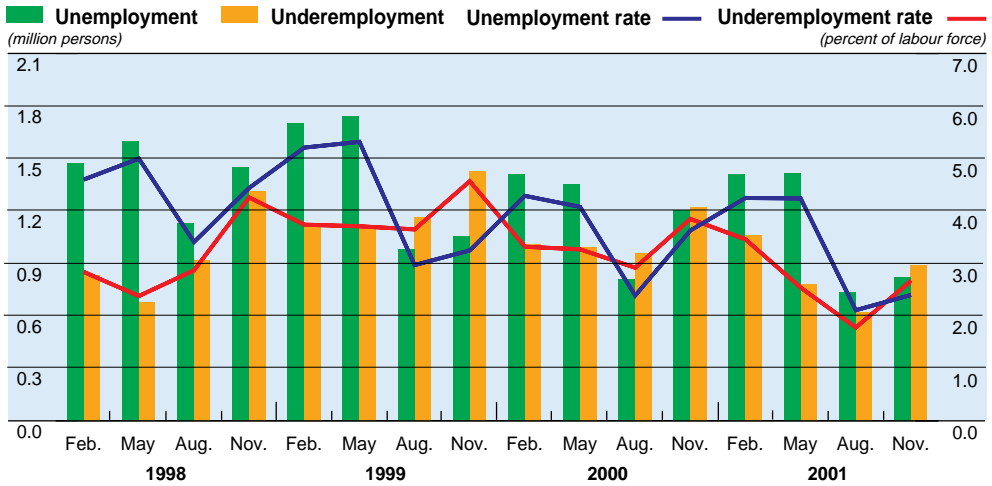
Labour condition. According to the labour force survey in November 2001, total workforce comprised 34 million persons, up by 3 percent year-on-year or about 1 million persons. It is notable that 400,000-500,000 persons who were previously outside the workforce have entered the labour market in the second half of 2001 onward. Their entry was induced by the government's urgent measure on community job creation providing these people with more job opportunities.

The number of employed persons in November 2001 reached 33.2 million, increasing by 4.6 percent from the same period last year. Despite sluggish domestic economy, employment has risen during the second half of 2001 notably in manufacturing, wholesales and retail trade, hotels and restaurants, and real estate sector. This was an outcome of government measures to delay job termination, promote community job creation all year round, e.g. the Village Funds, and the One-Tumbon-One-Product project, and measures to rehabilitate the property sector.

At end-November 2001, unemployed persons declined to 0.8 million, representing a 2.4 percent unemployment rate. For the entire year, unemployed persons averaged at 1.1 million or equal to 3.2 percent unemployment rate which has been declining since 1998.

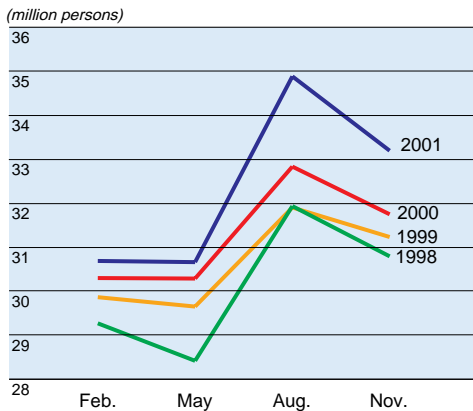
Monthly private employment indicator. The number of insured persons continued to increase in line with the rise in the ratio of private employees to total

Unemployment and Underemployment



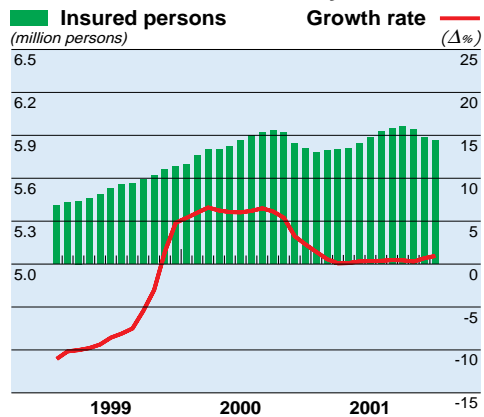
Source : The National Statistical Office

Number of Employed Persons



Source : The National Statistic Office

Number of Insured Persons in the Social Security Fund



Source : Social Security Office, Ministry of Labour and Social Welfare

employed persons from 33.1 percent in 2000 to 35.3 percent in 2001. Meanwhile, the number of workers laid off as well as enterprises terminated fell significantly.

Price Level

The headline consumer price index (headline CPI) in 2001 rose by 1.6 percent from the same period last year. This was due to the rise in food and beverages prices by 0.7 percent and non-food prices by 2.2 percent. The core consumer price index (excluding raw food and energy items) rose by 1.3 percent over the same period.

Main factors causing higher inflation in 2001 were as follows:

1. Upward price adjustments of passenger cars and small trucks, in line with production costs, as well as the rise in intra- and inter- provincial bus and air-conditioned bus fares at the end of 2000 and in early 2001, respectively. This led to an increase in transportation and communication prices by 3.1 percent.

2. The increase in electricity price. This was due to the increase in oil prices at the beginning of the year although oil prices declined considerably since October 2001.

3. The increase in cooking gas price. In 2001 wholesale and retail prices rose by 25.3 percent and 17.9 percent, respectively.

4. Upward adjustment of excise tax on liquor and tobacco at the end of March 2001. This pushed up tobacco and alcoholic beverage prices by 6.1 percent in 2001.

5. Baht depreciation. Baht weakened from an average B40.16 per US dollar in 2000 to B44.47 per US dollar in 2001 which raised import prices in terms of Baht.

Table 9 : Consumer Price Index

(percentage change from the same period last year)

	Weight (percent)	2000 Year	2001 Year	2001			
				Q1	Q2	Q3	Q4
Headline Consumer Price Index	100.0	1.6	1.6	1.4	2.5	1.6	1.1
Food and beverages	35.3	-1.1	0.7	-0.4	1.1	1.0	1.0
Non-food and beverages	64.7	3.2	2.2	2.4	3.3	2.1	1.0
Core Consumer Price Index	78.8	0.7	1.3	1.0	1.5	1.5	1.3

Source : *Trade and Economic Index Bureau, Ministry of Commerce.*

In addition, it should be noted that food prices turned positive in 2001 after falling for 2 consecutive years, owing to lower supply of certain agricultural products, such as vegetables, fruits, broiler and eggs, due to poor weather conditions.

In general, headline inflation was higher than core inflation mainly due to the rise in energy price. However, core inflation remained stable throughout the year, reflecting minimal inflation pressure from demand and cost sides, as evidenced by the low capacity utilization rate.

Producer price index in 2001 increased by 2.5 percent year-on-year, driven by a 2.0 percent rise in prices of manufactured products, especially with an upward

adjustment of excise tax on liquor and tobacco, which raised food products, beverages, and tobacco by 6.6 percent. Agricultural product price grew by 5.1 percent as the government implemented price intervention measure for palm oil, tapioca and coffee beans. Moreover, the weaker Baht resulted in higher production costs.

Table 10 : Producer Price Index
(percentage change from the same period last year)

	Weight (percent)	2000 Year	2001 Year	2001			
				Q1	Q2	Q3	Q4
Producer Price Index	100.0	3.8	2.5	2.8	4.2	2.6	0.6
Agricultural products	13.1	-0.4	5.1	3.7	5.6	5.5	5.5
Mining products	1.9	4.3	8.1	11.2	13.4	7.5	0.6
Manufactured products	85.0	4.6	2.0	2.5	3.9	2.1	-0.2

Source : Trade and Economic Index Bureau, Ministry of Commerce.

External Sector

A. World Economic Condition in 2001

According to the assessment of the International Monetary Fund (IMF) in December 2001, the **world economy** was expected to slow down from 4.7 percent in 2000 to 2.4 percent in 2001. This is due to the worldwide economic slowdown, especially in the United States which was adversely affected by the attack on 11 September 2001, this in turn reduced consumer and business confidence. Turning to the EU, high consumer prices coupled with the downturn in manufacturing production resulted in a slowdown in EU's economy. Japan's economy continued to contract due to the decline in trading partner's demand and internal problems, especially the persistent weakness in the financial sector. ASEAN and emerging market countries that rely heavily on exports experienced large economic slowdown following the developed countries' sluggish economy and the decline in demand for electronic products. Countries in Latin America (especially Argentina and Brazil), Middle East, Middle Europe, East Europe, Commonwealth of Independent States and Africa also experienced a slowdown in their economies, in line with the world economic trend.

World trade volume was expected to expand at a lower rate than the year before, with a growth rate of only 1.0 percent in 2001 compared to 12.4 percent in

2000. This was mainly attributed to the economic slowdown in industrial countries, which in turn, affected economies in other regions.

Inflation rate of developed countries was expected to stand at 2.3 percent in 2001, around the same level as the previous year, with Japan continuing to experience a negative inflation rate of 0.7 percent following the recession and deflation. Developing countries experienced an inflation rate of 6.0 percent in 2001, close to 5.9 percent in 2000. Prices of primary goods in the world market fell 5.5 percent in 2001 due to high competition and decreased demand. World oil prices declined 14.0 percent compared to the large increase of 56.9 percent in 2000, following the decrease in demand in response to the economic slowdown.

Interest rate. The deposit interest rate in US dollar terms in 2001 was expected to decline continuously following the 11-time interest rate cut by the US Federal Reserves from 6.5 percent during the beginning of the year to 1.75 percent at year-end, in order to stimulate economic growth. The Euro denominated deposit interest rate also declined. The European Central Bank reduced interest rates four times in 2001, from 4.75 percent during the beginning of the year to 3.25 percent at year-end. In Japan, the Yen denominated deposit interest rate remained low, almost reaching 0 percent in order to facilitate economic growth.

B. International Trade and Balance of Payments

Export value declined 6.9 percent from the previous year due to the economic slowdown in Thailand's major trading partners, especially the United States and Japan. The decline in export value was due to a 5.5 percent decline in volume and 1.5 percent drop in prices.

Agricultural products. Export volume rose, while export prices declined quite substantially, especially **rice**. The volume of rice export rose from Government-to-Government exports to the Philippines, the expansion of Thailand's export market, especially that of steamed rice, to African countries and the decline in supply from other producers. The quantity of **tapioca** exported increased substantially due to the demand from China for chips used in producing alcohol. However, exports of **frozen fowl** continued to expand, both in volume and price, which were attributable to the mad cow and foot and mouth disease in the EU and the bird flu in China.

Fishery products were mostly affected by the fall in prices, especially **frozen shrimp** which faced high competition due to excess supply from Vietnam and China. Furthermore, Latin American producers were able to partly resolve the problem of the shrimp virus outbreak.

Manufactured products. Exports of manufactured products, which constitutes 84.9 percent of total exports, declined by 6.9 percent. The decline was

experienced in the exports of **hi-tech products**, especially **computers and parts, integrated circuits and parts** and **electrical appliances** due to the decline in world demand, especially in the US market. Furthermore, the United States' inquiry on Thailand's alleged dumping of **base metal products** resulted in a decline in the exports of steel pipe, hot rolled sheet, cold rolled sheet and fittings. However, **vehicles and parts** continued to expand, increasing by 9.5 percent because Thailand was chosen as the production base for exports of many products. Nevertheless, Thailand was faced with the problem of imitation products from China, especially motorcycles which were sold in the ASEAN region.

Labour intensive products. Export value of this sector fell marginally by 1.8 percent. The decline was seen particularly in the **garment** industry following the decline in demand from the United States and Japan, Thailand's major export markets. Furthermore, Thailand was faced with price competition particularly from Indonesia, Vietnam and China, which mainly exported low quality and cheap products, and faced trade problems with the EU from their trade barrier to non-member countries. Exports of **toys and games**, which are considered luxury goods, declined continuously due to competition from China. However, **precious stones and jewellery** continued to expand from the demands of the United States. Exports of **footwear** also expanded following the increase in the exports of sport shoes and sandals.

Domestic resource based products fell slightly compared to last year's, where **canned seafood** and **canned pineapple** declined due to price fall, while export volume increased. **Furniture and parts** contracted in line with the economic slowdown in the United States. By contrast, **sugar** exports expanded following the demand from China. **Rubber products** grew slightly boosted by the continuous expansion in demand for vehicles and demand for rubber products during year-end, a consequence of the bomb attack in the United States.

Import value declined 2.8 percent from the same period last year, where volume fell 10.7 percent in line with the decline in exports and sluggish domestic demand. Meanwhile prices increased 8.8 percent (however, prices declined during the second half of the year) due to the increase in import prices of machinery and computers which expanded during the first half of the year following developments in technology and software in response to domestic market demand by the public sector, businesses and households.

Consumer goods declined 5.8 percent. The reduction was experienced particularly in the imports of durable products, particularly household goods and electrical appliances.

Intermediate products and raw material including computers, integrated circuits and parts declined 7.1 percent (excluding computers and integrated circuits, the number would have fallen by 5.8 percent) following the decline in exports.

Capital goods excluding commercial aircraft rose by 5.1 percent, mainly due to the increase in prices, while import volume declined, especially imports of machinery for use in the electronics industry. Thai Airways International imported 2 commercial aircraft worth US\$383 million this year compared to 8 aircraft imported last year worth US\$1,270 million.

Vehicles and parts. Import value remained roughly the same level as the previous year. However, the imports of chassis and body increased 9.8 percent and tires rose 17.5 percent following the increase in exports and domestic demand.

Crude oil. Import prices fell to an average of US\$23 per barrel compared to US\$26 per barrel in the previous year. This was in line with the price in the world market, which was partly due to the bomb attack in the United States and the OPEC's inability to put pressure on oil prices despite the cut in production.

Trade balance and current account. In 2001, Thailand experienced a trade surplus of US\$2.5 billion (compared to a surplus of US\$5.5 billion in the previous year). A surplus of US\$2 billion occurred during the second half of the year due to the substantial drop in imports during that period. The services and transfers account recorded a smaller surplus than the previous year due to the decline in receipts from tourism. Meanwhile, expenditures increased while workers remittance fell significantly following the economic slowdown in Taiwan, one of the main employers of Thai workers. This resulted in a current account surplus of US\$6.2 billion (compared to a surplus of US\$9.3 billion in the previous year).

Capital account. Net capital movements recorded a deficit of US\$5.5 billion, declining from a deficit of US\$10.3 billion in the previous year, largely following the decrease in the private sector's deficit.

Private Sector. Capital flows in the private sector recorded a smaller deficit, in line with the decline in external debt repayments from US\$9.3 billion to only US\$4.5 billion. Debt repayments of International Banking Facilities and non-banking private sector declined significantly as a large portion had already been paid during the year before and outstanding debt had declined markedly. However, during this year there were prepayments of US\$2.9 billion. Furthermore, the banking sector lowered the holding of foreign assets approximately by US\$0.2 billion, because after increasing the repurchase interest rate, the Baht began to stabilize, and thus, foreign investors and those with foreign exchange obligations reduced their transactions to prevent foreign exchange risks (hedging). In addition, commercial banks used up their foreign assets to repay debt, and hence, commercial banks held less foreign assets. Portfolio investment experienced a larger deficit of US\$1 billion, resulting from the reduction in equity investment in line with the unfavourable stock market condition. Regarding foreign direct investment, capital inflows remained approximately the same level as the previous year.

Public Sector (including the BOT). Capital movements in the public sector recorded a slightly higher deficit following BOT's debt repayment to the International Monetary Fund (IMF) under the IMF package of US\$3.1 billion, where part of the foreign exchange used to repay the loan was purchased from the foreign exchange market. The government sector showed a marginal deficit increase, owing to the long-term debt repayment of US\$0.4 billion by state enterprises. In addition, redemption of the state enterprise bonds (Floating Rate Note or FRN) of US\$0.2 billion took place during this period. Meanwhile, government debt falling due was partly refinanced by short-term debt securities (European Commercial Paper or ECP) and Yen denominated bonds (Samurai bond) of US\$0.3 billion. Furthermore, a withdrawal of US\$0.2 billion from the government's long-term direct loan, which is a Structural Adjustment Loan (SAL) for public servants, was made.

Table 11 : Balance of Payments

(Unit : Million US\$)

	2000			2001 ^P		
	H1	H2	Year	H1	H2	Year
Exports, f.o.b.	31,957	35,922	67,889	31,654	31,536	63,190
Δ%	21.2	18.1	19.5	-1.0	-12.2	-6.9
Imports, c.i.f.	29,101	33,322	62,423	31,182	29,483	60,665
Δ%	34.8	28.4	31.3	7.2	-11.5	-2.8
Trade balance	2,866	2,600	5,466	472	2,053	2,525
Services and Transfers	2,113	1,749	3,862	1,932	1,754	3,686
Current account balance	4,979	4,349	9,328	2,404	3,807	6,211
Capital Movements (net)	-6,574	-3,696	-10,270	-3,311	-2,222	-5,533
Private sector	-6,267	-3,504	-9,771	-2,290	-2,250	-4,540
Bank	-3,421	-3,185	-6,606	-2,227	114	-2,113
Commercial Bank	-1,406	-1,190	-2,596	-1,826	1,009	-817
BIBF	-2,015	-1,995	-4,010	-401	-895	-1,296
Non-bank	-2,846	-319	-3,165	-63	-2,364	-2,427
Public sector	-334	-15	-349	-94	-510	-604
Bank of Thailand	27	-177	-150	-927	538	-389
Errors and omissions	-606	-69	-675	675	-36	639
Overall Balance ^A	-2,201	584	-1,617	-232	1,549	1,317

Note : P = Preliminary A = Actual

 Δ% represents the percentage change from the same period of the previous year.

Source : 1. Customs Department

 2. Bank of Thailand

Balance of Payments recorded a surplus of US\$1.3 billion (compared to a deficit of US\$1.6 billion in the previous year). During 2001, the BOT made debt repayments under the IMF package of US\$3.1 billion (compared to US\$0.2 billion in the previous year). International Reserves at end-December 2001 stood at US\$33 billion or equal to 6.5 months of imports. Of this amount, US\$2.1 billion were from net outstanding forward swap obligations.

External Debt

External debt declined in line with debt repayment of both the private sector and the BOT.

Compared with end-October 2001

Total external debt as of end-November 2001 declined US\$1 billion, attributable to the decline in external debt of both the public and private sector. In addition, with the Yen depreciation, Thailand's Yen denominated debt in US dollar terms declined.

Private sector external debt fell US\$0.6 billion. Of this amount the *banking sector's external debt* declined US\$0.2 billion, of which US\$0.1 billion was from commercial banks. The decrease was mainly due to repayments of commercial banks' overdrafts. BIBFs' external debt declined US\$0.1 billion following the repayment of short-term debt, on the other hand, during this month, repayments of long-term debt by BIBFs' declined markedly. **Non-bank external debt** fell US\$0.4 billion, due mainly to long-term debt prepayments of the petroleum industry.

Public sector external debt declined US\$0.4 billion following BOT's debt repayment of US\$0.3 billion and the depreciation of the Yen of US\$0.1 billion. Government external debt remained the same, despite the government's issuance of Euro Commercial Papers (ECPs) of US\$0.3 billion to refinance the ECPs falling due in December 2001. However, since foreign bank branches in Thailand were the main purchasers of these ECPs and Yen denominated debt computed in US dollar terms actually declined, public debt remained unchanged.

Compared with end-2000

Total external debt declined US\$10.3 billion, attributable mostly to the decline in long-term debt, whilst short-term debt declined marginally.

Private sector external debt fell US\$6 billion. Debt repayment slowed down compared to the same period last year. The *banking sector's* long-term debt declined US\$2.3 billion, whilst the short-term debt remained somewhat stable.

Non-bank external debt fell US\$3.2 billion, mainly due to long-term debt repayments and prepayments.

Public sector external debt declined US\$4.3 billion, most of which were long-term debt, due mainly to BOT's debt repayment under the IMF package. As regards to government debt, most debt repayments were of long-term nature which

Table 12: External Debt Outstanding

(Unit : Million US\$)

	1999	2000	2001				
	Year	Year	Q1	Q2	Q3	Oct.	Nov.
Public Sector	36,228	33,913	31,751	30,968	30,462	29,957	29,600
BOT (Long-term)	12,817	12,019	10,997	10,191	9,594	9,343	9,006
Govt and State							
Enterprises	23,411	21,894	20,754	20,777	20,868	20,614	20,594
Long-term	23,281	21,868	20,730	20,627	20,798	20,544	20,464
Short-term	130	26	24	150	70	70	130
Private Sector	59,009	45,802	43,879	43,061	41,555	40,419	39,811
Long-term	39,207	31,134	29,533	28,323	27,566	26,747	26,361
Short-term	19,802	14,668	14,346	14,738	13,989	13,672	13,450
Banks	17,702	12,157	11,557	11,107	10,303	9,549	9,331
Long-term	8,236	6,731	5,974	5,265	4,890	4,443	4,391
Short-term	9,466	5,426	5,583	5,842	5,413	5,106	4,940
Commercial Banks	4,596	3,921	4,007	3,811	3,408	3,007	2,940
Long-term	2,967	2,580	2,462	2,210	1,875	1,782	1,774
Short-term	1,629	1,341	1,545	1,601	1,533	1,225	1,166
BIBFs	13,106	8,236	7,550	7,296	6,895	6,542	6,391
Long-term	5,269	4,151	3,512	3,055	3,015	2,661	2,617
Short-term	7,837	4,085	4,038	4,241	3,880	3,881	3,774
Non-Banks	41,307	33,645	32,322	31,954	31,252	30,870	30,480
Long-term	30,971	24,403	23,559	23,058	22,676	22,304	21,970
Short term	10,336	9,242	8,763	8,896	8,576	8,566	8,510
Total Debt	95,237	79,715	75,630	74,029	72,017	70,376	69,411
Long-term	75,305	65,021	61,260	59,141	57,958	56,634	55,831
Short-term	19,932	14,694	14,370	14,888	14,059	13,742	13,580
Share (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Long-term	79.1	81.6	81.0	79.9	80.5	80.5	80.4
Short-term	20.9	18.4	19.0	20.1	19.5	19.5	19.6
Share (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Private	62.0	57.5	58.0	58.2	57.7	57.4	57.4
Public	38.0	42.5	42.0	41.8	42.3	42.6	42.6

Note : Total Debt is the sum of public sector debt and private sector debt.

Source : Bank of Thailand

were refinanced by the issuance of ECP, as a result, short-term debt increased considerably compared to the previous year. However, the government's short-term debt remained at a very low level when compared to long-term debt.

External debt structure. The private debt share was close to that of end-2000 at 57.4 percent. While the short-term debt share increased from 18.4 percent to 19.6 percent.

Fiscal Condition

In the fiscal year 2001, the government adopted a budget deficit policy aimed to enhance the recovery and growth of the economy. Emphases were placed on economic stimulation, increasing the country's potentials and competitiveness, and developing the public sector's management and administrative system. In addition, the government had implemented the decentralization policy by transferring the budget to the local government and allocating additional revenues to the local government by B12.7 billion. As a result, the local government revenue was 20 percent of the government revenue.

In this fiscal year, the government expenditure budget was set at B910 billion while the net revenue collection was estimated to be B805 billion. The government deficit, then, required a financing of B105 billion or 1.9 percent of GDP.

A. Fiscal Position

Government

Revenue. Revenue remitted to the treasury totalled B765.4 billion, up by 2.4 percent from the previous fiscal year, due to the growth of personal income tax which rose by 9.9 percent. The increase in income tax, especially personal income tax resulted from an increase in employment. However, tax from interest income declined, owing to the fall of interest rates in the financial system. In addition, excise tax increased by 7.0 percent, partly due to an increase in tax rates for alcoholic beverages and tobaccos. Import duties rose by 6.7 percent. Nevertheless, corporate income tax increased marginally by 1.6 percent, lower than that of the previous fiscal year which expanded by 21.4 and 26.3 percent, respectively. The minimal increase in corporate income tax reflected that private investments have not yet fully recovered.

On the other hand, specific business taxes fell sharply by 32.0 percent, due to the declining tax rates related to real estate transactions. This was part of fiscal measures to support the recovery of real estate business. Additionally, Value Added Tax (VAT) decreased by 8.0 percent. This was because, for the first time, the government allocated additional VAT to the local government amounting to

B12.7 billion to meet the target proportion of local government revenue to government revenue of 20 percent in this fiscal year.

Contributions from state enterprises grew 27.7 percent, partly due to the increase in state enterprises' net profits of 24.8 percent.

Expenditure. Disbursements from the budget totalled B876 billion, up by 3.0 percent as a result of the speed up in disbursements from the current year budget. The current year expenditure amounted to B784.9 billion, up by 4.8 percent. The disbursement rate, therefore, increased from 88.0 percent in the last fiscal year to 88.4 percent in this fiscal year. Meanwhile carry-over expenditure amounted to B91 billion, down by 9.0 percent.

Current expenditure rose by 5.9 percent, amounting to B684.1 billion. Interest payment item recorded the highest expansion rate (9.4 percent), followed by subsidies and transfers (9.2 percent), purchases of goods and services (6.1 percent),

Table 13: Treasury Account Fiscal Position

(Unit : Billion Baht)

	Fiscal Year		
	1999	2000	2001
Revenue and Expenditure			
Revenue	709.9	747.6	765.4
(Growth rate)	(-2.4)	(5.3)	(2.4)
Expenditure	821.5	850.6	876.0
(Growth rate)	(-1.6)	(3.5)	(3.0)
Current Year	690.8	748.8	784.9
Carry-Over	128.4	100.0	91.0
Budgetary cash balance	-111.6	-103.0	-110.6
Non-budgetary cash balance	-22.8	-13.6	2.7
Cash balance	-134.4	-116.6	-107.9
(% of GDP)	(-2.9)	(-2.4)	(-2.1)
Disbursement rate (%)	85.5	88.0	88.4
(Excluding Principal Repayment)			
Financing			
Domestic sources (net)	37.4	82.4	102.8
Foreign sources (net)	37.5	26.6	5.6
Use of treasury cash balance	59.5	7.6	-0.5
Treasury cash balance (end-year)	79.5	71.8	72.3

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

Table 14 : Government Revenues

Fiscal Year	Billion Baht			Growth rate		
	1999	2000	2001	1999	2000	2001
Total Revenue	709.9	747.6	765.4	-2.4	5.3	2.4
Taxation	620.1	661.4	684.5	-4.5	6.2	3.4
Income base	213.7	235.4	253.6	-0.6	9.2	7.2
Personal income tax	101.2	87.4	97.0	-14.8	-15.8	9.9
Corporate income tax	101.3	137.4	139.6	11.6	26.3	1.6
Consumption base	319.2	320.8	319.1	-9.3	0.5	-0.5
Values added tax	131.9	137.7	127.5	-18.7	4.2	-8.0
Excise tax	166.3	166.3	178.9	7.1	0.0	7.0
Specific businesses tax	20.8	16.6	12.6	-38.9	-25.2	-32.0
International trade base	66.3	84.4	90.4	1.0	21.4	6.7
Other taxes	20.9	20.8	21.4	24.0	-0.3	2.7
Other Revenues	89.8	86.2	80.9	15.2	-4.2	-6.6
Contributions from state enterprises	46.3	38.8	53.6	1.2	-19.6	27.7

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

Table 15 : Government Expenditure by Economic Classification

Fiscal Year	Billion Baht			Growth rate		
	1999	2000	2001	1999	2000	2001
Total Expenditure	821.5	850.6	876.0	-1.6	3.5	3.0
Current Expenditure	587.4	645.8	684.1	9.8	9.9	5.9
Wages and Salaries	297.4	304.5	316.2	6.1	2.4	3.8
Purchases of goods and services	144.7	152.3	161.5	-18.7	5.2	6.1
Interest payment	44.7	58.3	63.7	414.6	30.3	9.4
Subsidies and Transfers	100.6	130.7	142.7	17.7	30.0	9.2
Capital Expenditure	234.1	204.8	191.9	-22.1	-12.5	-6.3
Acquisition of fixed capital assets	203.7	177.0	155.2	-21.8	-13.1	-12.3
Capital transfers	28.9	27.0	36.0	-26.6	-6.4	33.0
Lending and Purchases of shares and financial assets	1.5	0.7	0.6	179.6	-51.6	-15.2

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

Table 16: Government Expenditure by Functional Classification*(Unit : Billion Baht)*

	Fiscal Year		
	1999	2000	2001
Total Expenditure	821.5	850.6	876.0
(Growth rate)	(-1.6)	(3.5)	(3.0)
General Public Services	90.3	95.4	103.8
(Growth rate)	(-1.0)	(5.6)	(8.8)
Defence Affairs and Services	76.4	73.6	75.8
(Growth rate)	(-13.5)	(-3.7)	(3.0)
Community and Social Services	368.6	378.4	388.9
(Growth rate)	(-0.2)	(2.6)	(2.8)
Education	215.3	218.6	223.0
Public health	64.3	62.8	66.6
Social security and welfare	38.9	51.0	55.3
Economic Services	197.2	194.9	195.1
(Growth rate)	(-13.1)	(-1.1)	(0.1)
Others	89.0	108.3	112.3
(Growth rate)	(48.8)	(21.6)	(3.7)

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

and wages and salaries (3.8 percent). In fact, wages and salaries expenditure was the major component (46.2 percent) of total current expenditure. As for expenditure by functional classification, education remained a top priority (30.2 percent of total current expenditure), followed by defense (10.6 percent) and public health (8.8 percent).

Capital expenditure totalled B191.9 billion, down by 6.3 percent. The decrease in capital expenditure came from the decline of current-year and carry-over expenditure of 1.8 percent and 14.4 percent, respectively, mainly from the drop of acquisition of fixed capital assets. Capital transfers, on the other hand, increased by 33 percent, especially transfers to the local government which increased by 34.7 percent in line with the decentralization policy.

Financing. The government financed its cash deficit of B107.9 billion by incurring domestic borrowings amounting to B104.8 billion. (The borrowing amount is lower than that of B105 billion stated in the Budget in Brief.) The domestic borrowing comprised government bonds of B68.7 billion, promissory notes of B10.0 billion, and treasury bills of B26.1 billion. In addition, foreign borrowing was deposited in the treasury account totalling B15.5 billion.

Principal repayments totalled B22.4 billion, comprising the redemption of domestic bonds and promissory notes of B2.4 and B10 billion, respectively, and external principal repayment of B10 billion. Overall, the treasury reserves stood at B72.3 billion, up by B0.5 billion from the previous year.

State enterprises

In the fiscal year 2001, retained income amounted to B168.2 billion, up from B122.7 billion of the previous fiscal year. This was partly due to a net profit of B78.6 billion from the overall operations of state enterprises.

Disbursements of capital expenditure amounted to B152.2 billion. The disbursement rate was only 67 percent, partly due to the start of the new administration at the beginning of the year 2001. In addition, because the government was aiming to curtail imported goods, the high import-content projects slowed down. Moreover, there was a delay in loan approvals from foreign financial institutions. However, measures to promote the acceleration of capital expenditure disbursements were introduced in the fourth quarter. These measures were, for example, allowing the spending ministries to speed up their approval of the procurement of imported supplies, reducing foreign loan approval process, and improving capital expenditure budget management so that disbursements from the budget were accelerated.

Overall, in this fiscal year, state enterprises recorded a surplus of B16 billion, or 0.3 percent of GDP.

Table 17: State Enterprise Balance

(Unit : Billion Baht)

	Fiscal Year		
	1999	2000	2001
Retained Income	89.3	122.7	168.3
(Growth rate)	(-21.9)	(37.4)	(37.2)
Capital Expenditure	175.5	171.3	152.3
(Growth rate)	(-3.5)	(-2.4)	(-11.1)
State Enterprise Balance	-86.2	-48.6	16.0
(% of GDP)	(-1.9)	(-1.0)	(0.3)

Source : Office of the National Economic and Social Development Board

B. Public Debt

As of fiscal year-end 2001, the public debt outstanding totalled B2,931.7 billion or 57.6 percent of GDP, up from B2,804.3 billion or 57.3 percent of GDP at end-FY 2000.

Of this amount, the direct government debt amounted to B1,263.7 billion or 24.8 percent of GDP. Debt of nonfinancial state enterprises both with government guarantees and non-government guarantees amounted to B970.6 billion or 19.1 percent of GDP. FIDF debt totalled B697.5 billion or 13.7 percent of GDP.

Table 18 : The Public Debt Position

(Unit : Billion Baht)

	Fiscal Year		
	1999	2000	2001
Government's direct debt	959.7	1,113.9	1,263.7
(% of GDP)	(20.8)	(22.8)	(24.8)
Foreign debt	361.0	395.2	449.6
Domestic debt	598.6	718.7	814.1
Non-financial state enterprise debt	694.9	908.9	970.5
(% of GDP)	(15.1)	(18.6)	(19.1)
Government's guarantee	694.9	775.6	796.4
Foreign debt	422.8	422.6	384.8
Domestic debt	272.1	353.0	411.6
Non-government's guarantee	n.a	133.3	174.1
Foreign debt	n.a	48.5	74.9
Domestic debt	n.a	84.8	99.2
FIDF debt	814.6	781.4	697.5
(% of GDP)	(17.6)	(16.0)	(13.7)
Government's guarantee	0.0	0.0	112.0
Non-government's guarantee	814.6	781.4	585.5
Total	2,469.2	2,804.3	2,931.7
(% of GDP)	(53.5)	(57.3)	(57.6)

Note : Total is the sum of Government's direct debt, Non-financial state enterprise debt and FIDF debt

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

Policy framework for 2002

In 2001, the world economy slowed down, affecting Thai economic growth in 2002. The government, therefore, needs to continue a fiscal deficit policy in the fiscal year 2002 in order to increase domestic demand to support economic growth. In this regard, the government has set aside a reserve budget to stimulate growth amounting to B58 billion. In addition, the government has emphasized on the highest efficiency and effectiveness of the use of the budget, so the 2002 budget is prepared in line with the government's urgent policies and important measures.

Monetary Conditions

A. Liquidity and Interest Rate

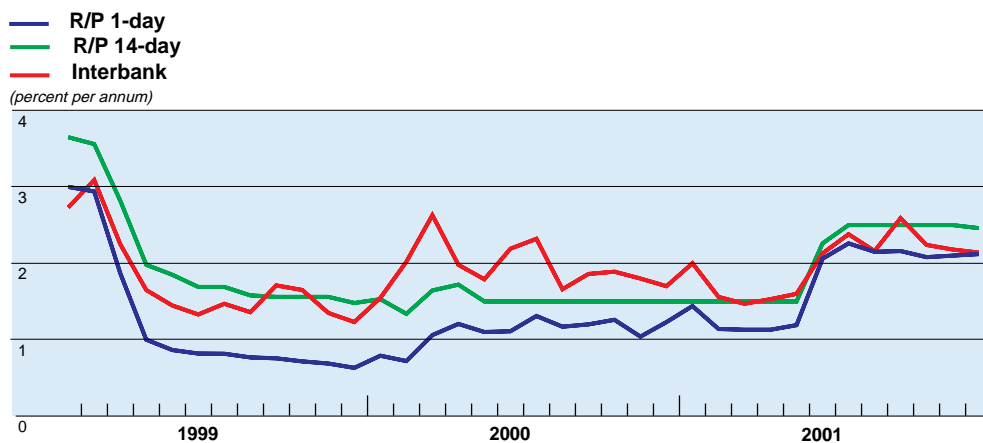
– Liquidity remained high for most of 2001 as credit grew sluggishly while deposits expanded at a moderate rate.

– In the last quarter of 2001, the 1 day repurchase rate and the overnight interbank rate averaged 2.10 and 2.19 percent per annum, respectively, reflecting the high degree of liquidity in the financial system.

– At the end of 2001, the 3 month fixed deposit rate and the minimum lending rate (MLR) averaged across the four largest banks stood at 2.25 and 7.125 percent per annum, respectively, as commercial banks responded to the high liquidity by lowering their rates.

– Despite the fall in commercial bank rates, real interest rates edged up as inflation slowed down in the second half of the year.

Interest Rates in Money Market



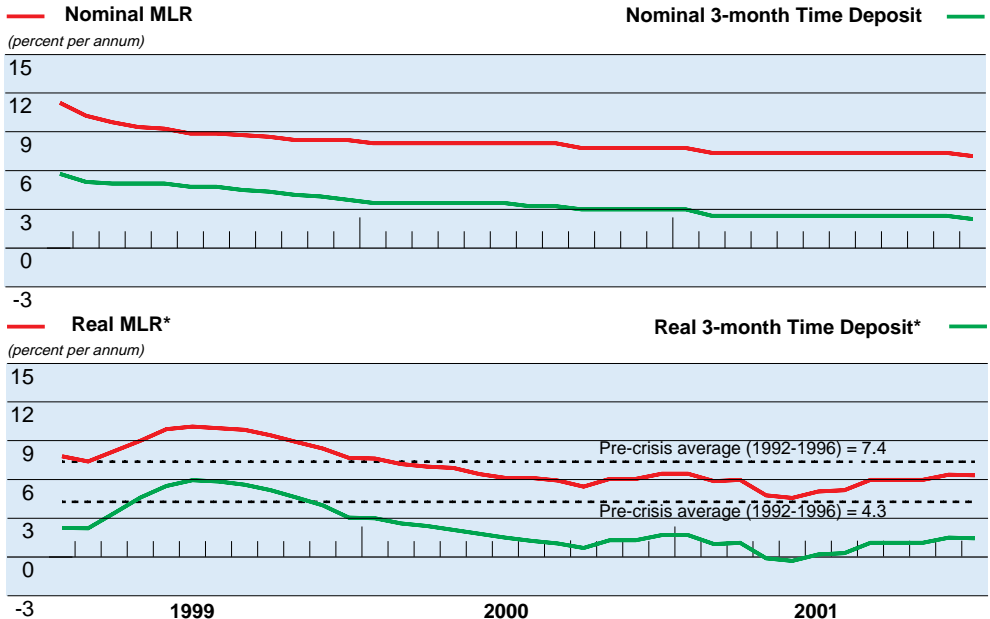
Source : Bank of Thailand

Overall liquidity in the financial system remained high in 2001. While liquidity was relatively high in the first half of the year, it tightened from time to time in response to stronger demand for cash during the festive season and the extended public holidays. In the last week of May 2001, liquidity tightened again as financial institutions raised their cash reserves to meet increased withdrawals by private businesses during the remittance period for corporate income tax for 2000. Liquidity eased somewhat at the beginning of June and remained high even after the rise in the 14-day repurchase rate from 1.5 percent to 2.5 percent.

In the second half of 2001, deposits continued to expand while commercial

banks continued to exercise caution in extending new credits, resulting in high liquidity in the banking system. During the year, liquidity did tighten from time to time, i.e., in July when the Government Saving Bank raised its cash holdings in preparation for government disbursements under the Village and Urban Revolving Fund programme. In addition, commercial banks raised their cash reserves at end-August 2001 in preparation for the mid-year remittance of corporate income tax. Liquidity tightened again in September following the terrorist attacks in the United States. However, the BOT stepped in to smooth out fluctuations in interest rates by injecting liquidity through the repurchase market. Liquidity remained high in December as the policy rate was cut from 2.5 percent to 2.25 percent. The reduction was well received by markets.

Nominal and Real Interest Rates of Commercial Banks



Note : * Current inflation (Nov. 01) = 1.0 percent per annum
Source : Interest rates quoted by 4 largest Thai commercial banks

Short-term money market interest rates remained low and stable throughout the year as a result of the high liquidity. The 1-day repurchase rate and the overnight interbank rate averaged 1.24 percent and 1.68 percent, respectively, in the first quarter, and 1.46 percent and 1.75 percent, respectively, in the second quarter. However, money market rates moved higher following the increase in the 14-day repurchase rate with the 1-day repurchase rate and overnight interbank rate averaging 2.06 percent and 2.13 percent, respectively, in June 2001.

During the second half of 2001, short-term money market rates fluctuated within a narrow range and generally followed a downward trend after rising briefly around mid-year. Interest rates rose briefly as liquidity tightened in the week

immediately following the terrorist attacks in the United States with the overnight interbank rate averaging 2.6 percent compared to 2.37 percent for the whole third quarter. As for the 1-day repurchase rate, it averaged at 2.19 percent in the third quarter. Money market rates declined in the last quarter of the year with the 1-day repurchase rate and the overnight interbank rate averaging 2.1 percent and 2.19 percent, respectively. The reduction in the policy rate towards the end of the year had only a limited impact on money market rates as the move was anticipated and already factored in by the markets.

Deposit and lending rates of commercial banks fell in 2001 in response to the high level of liquidity. In February, most commercial banks reduced their deposit and lending rates by 50 basis points which brought down the average 3-month fixed deposit rate and the minimum lending rate (MLR) of the four largest Thai commercial banks to 2.5 percent and 7.375 percent, respectively. While the increase in the policy interest rate in June 2001 did lead some Thai and foreign commercial banks to adjust deposit and lending rates to optimize their cost structures, deposit and lending rates of the four largest Thai commercial banks remained unchanged.

The 3-month fixed deposit rate and MLR of the four largest Thai commercial banks remained steady until the end of November 2001 at 2.5 percent and 7.375 percent, respectively. However, with deposits continuing to grow and credit extension remaining sluggish, the increased liquidity eventually led the four largest Thai commercial banks to adjust deposit and lending rates downward by 0.25 percent, bringing the average 3-month fixed deposit rate and MLR to 2.25 percent and 7.125 percent, respectively, at end-2001.

Real interest rates of commercial banks declined during the first 5 months of 2001 as inflation picked up. With inflation peaking at the end of May 2001, the real 3-month fixed deposit rate and MLR of the 4 largest Thai commercial banks averaged -0.3 percent and 4.575 percent, respectively. However, real interest rates edged up in June 2001 following a significant decline in the rate of inflation, and by the end of the second quarter, the average real 3-month fixed deposit and MLR rates of the four largest Thai commercial banks had risen to 0.20 percent and 5.075 percent, respectively.

Real interest rates continued to exhibit an upward trend in the second half of the year as inflationary pressures abated, while the 3-month fixed deposit and MLR rates remained relatively unchanged. Despite the 0.25 percent reduction in deposit and lending rates of the four largest Thai commercial banks in December 2001, further declines in the inflation rate pushed the average real 3-month fixed deposit and MLR rates of the 4 largest Thai commercial banks up to 1.45 percent and 6.33 percent, respectively.

B. Commercial Banks' Operating Results

- Operation of the banking system improved from the previous year.
- Effective interest rate spread of commercial banks widened.

Commercial banking system

In 2001, operating results of the commercial banking sector improved from the previous year with net operating profits of B30.98 billion in the first three quarters of the year compared with B19.16 billion in the same period last year. The improvement was mainly due to a substantial decline in interest expenses and the amount of debt write-offs for bad and doubtful loans compared to last year.

Private credit (adding back debt write-offs and loan transferred to Asset Management Companies (AMCs) but excluding credit to AMCs) grew slowly throughout the year. This was due to commercial banks' caution in credit extension as the economic slowdown domestically and internationally weakened confidence in borrowers' ability to service loans. In addition, ongoing restructuring of the credit analysis and approval framework aimed at shifting the focus from collateral to cash flow analysis, to some extent, limited the ability of banks to grant new credit.

Non-performing loans (NPLs) in the banking system declined substantially from 17.8 percent of total credits at end-May 2001 to 10.50 percent at end-December 2001, primarily as a result of transfers to AMCs. These transfers increased by B444.4 billion from last year.

The ratio of capital to risk assets of commercial banks averaged 13.2 percent in the first 11 months of 2001 compared to 12.1 percent in 2000. The ratio of tier-1 capital to risk assets increased from the average of around 8.0 percent in 2000 to 8.6 percent in 2001. Commercial banks maintained higher capital adequacy ratio than required in response to concerns that slower economic growth in Thailand might adversely affect borrower's ability to service debt and give rise to the need for costly recapitalization in the future.

Outlook for commercial banks in 2002

The two consecutive reduction in the policy interest rate following the Monetary Policy Committee (MPC) meetings in December 2001 and January 2002 signalled a shift in the stance of monetary policy towards more emphasis on reviving consumption and investment through the expansion of bank credit. The expected US economic recover in the second half of 2002 should support the Thai economy through higher demand for its exports—a key source of growth for Thailand and strengthen credit growth. Having fully provisioned against future losses on their balance sheets and made significant progress in transferring bad loans off their

Table 19 : Operating Result of Commercial Banks

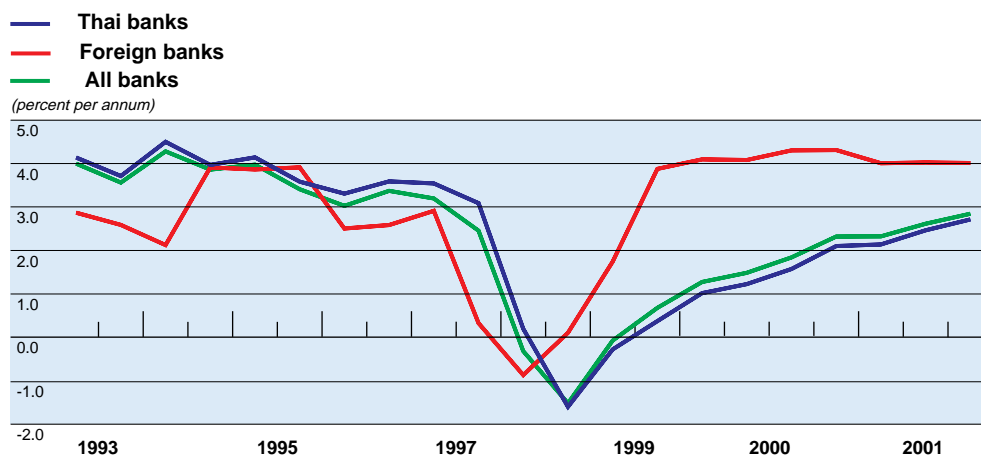
(Unit : Billion Baht)

	2000		2001		
	H1	H2	Q1	Q2	Q3
All Commercial banks					
Operating profit/loss	12.23	8.27	13.41	3.43	14.14
Provision of bad debt	-84.97	-37.34	-5.25	23.57	5.36
Net Profit (Before tax)	-72.74	-29.07	8.32	-20.14	8.62
Thai Banks					
Operating profit/loss	2.77	-1.20	7.11	-1.79	9.70
Provision of bad debt	-82.38	-36.93	-5.17	-17.65	4.73
Net Profit (Before tax)	-79.61	-38.13	1.94	-19.43	4.97
Foreign Banks					
Operating profit/loss	9.46	9.47	6.30	5.22	4.44
Provision of bad debt	-2.60	-0.41	-0.08	5.92	0.08
Net Profit (Before tax)	6.87	9.06	6.38	-0.71	3.65

Source : Bank of Thailand

books, Thai commercial banks should be in a position to extend new credit. Higher competition among banks, in turn, may lead to reductions in the effective interest rate spread. In order to help facilitate the extension of new credit, the BOT adjusted some rules on loan classification and provisioning. The revised rules continue to remain in line with international standards.

Effective Interest Rate Differential



Source : Bank of Thailand

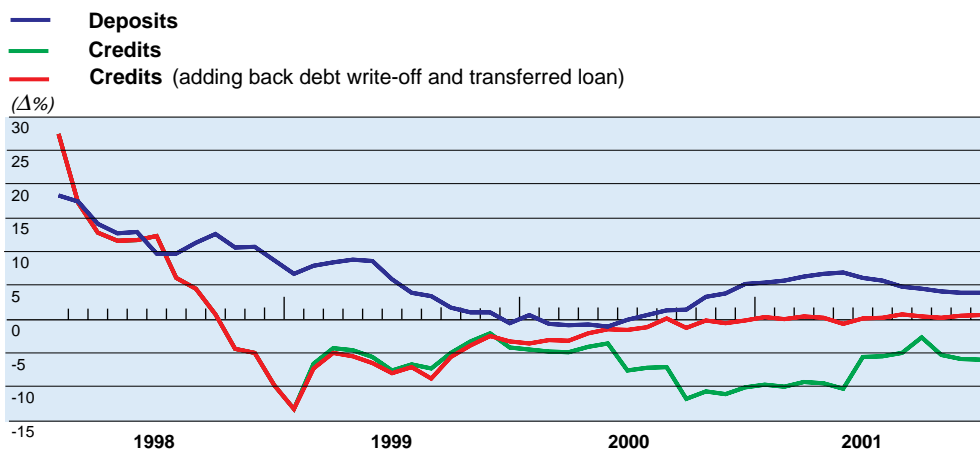
Effective interest rate spread of Thai commercial banks widened during the year and stood at 2.7 percent at the end of the third quarter 2001 compared to 1.6 percent in the same period last year. The wider interest rate spread was caused by a decline in average deposit rates and a rise in average lending rates. The latter reflected substantial reductions in commercial banks' stock of credit as a significant portion of NPLs were transferred to AMCs.

C. Commercial Banks' Deposit and Private Credits

- Deposits increased by B193.1 billion or 4.0 percent in 2001 with rapid growth in the first quarter of the year followed by a moderation in the second and third quarters.

- Private credit (adding back debt write-offs and loan transferred to AMCs but excluding credit to AMCs) expanded moderately.

Growth Rate of Banks' Deposits and Private Credits



Source : Bank of Thailand reports and surveys

Commercial bank deposits continued to expand in 2001 reaching B5,009.1 billion at the end of December compared to B4,816 billion at the end of 2000. The rise in deposits in the first quarter was driven, to a certain extent, by the return to the banking system of cash that was withdrawn during the New Year and Chinese New Year. Deposit growth moderated in the second and third quarters of 2001, partly due to withdrawals by state enterprises and private businesses in preparation for corporate income tax payments in June 2001, as well as shifts of some funds from deposits into new issues of corporate bonds in September 2001. Deposit growth picked up again in the fourth quarter.

Commercial bank credits (with the BIBF credits valued using end-month exchange rates) contracted again in 2001 and stood at B4,447.9 billion at the end of December compared to B4,723.7 billion at the end of 2000. The decrease in

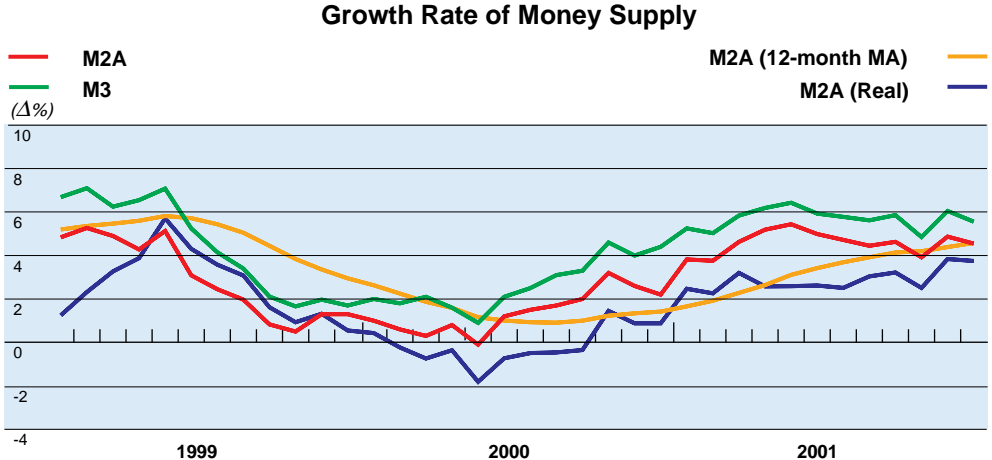
credits was partly due to repayments of BIBF debt as well as greater use of corporate bonds by the private sector as a means of raising capital. At the same time, commercial banks remained cautious about the extension of new credit as the economy continued to weaken. In the second half of the year, two state banks transferred some loans to AMCs in June followed by transfers of NPLs to the Thai Asset Management Company (TAMC) at the end of the year. These transfers significantly helped to ease the burden on commercial banks with respect to capital provisioning requirements and enhanced their ability to compete for new loans.

Nonetheless, **the stock of private credit adding back debt write-offs, and loan transferred to AMCs but excluding credit to AMCs** edged up only slightly from B5,294.3 billion at end - 2000 to B5,331 billion at end - 2001. This was a result of the increase in credit extension in the second half of the year to certain economic sectors, namely trade, finance, and public utility.

D. Monetary Base and Money Supply

- Monetary base stood at B556.3 billion at end- December 2001, a 5.5 percent increase from the B527.2 billion at end-2000.

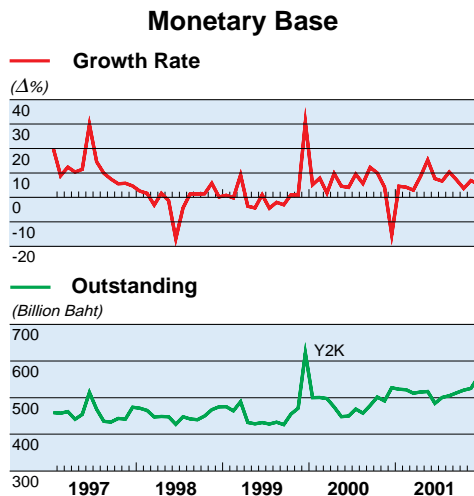
- M2A and M3 also increased in 2001 relative to 2000 but the rate of growth moderated in the latter half of the year.



After reaching B527.2 billion at end- 2000, monetary base exhibited a downward trend in the first half of 2001 and bottomed out at B484 billion at end-June 2001. This was consistent with the seasonal decline in demand for cash at the beginning and middle of the year. On the supply side, the reduction in monetary base stemmed from the decline in net credits to financial institutions, mainly owing to BOT's reduced lending through the repurchase market in response to the high level of liquidity in the system. In addition, the Financial Institutions

Development Fund (FIDF) also reduced its borrowing from the repurchase market as its cashflow position improved following the repayment of loan extended to intervened financial institutions.

In the second half of 2001, monetary base continued to grow in line with seasonal factors and stood at B556.3 billion at the end of the fourth quarter. The main factor on the supply side which contributed to the rise in monetary base was the expansion of net foreign assets - due partly to the current



account surplus, as well as increased interest among foreign investors in Thailand. At the same time, net credit to financial institutions fell substantially as the BOT continued to curtail its lending in the repurchase market in response to the high liquidity in the system.

M2A expanded by 5.0 percent in June 2001 compared with 1.2 percent at end- June 2000. The increase was driven, to some extent, by higher credit to the government associated with the budget deficit, as well as expansion of net foreign assets. Meanwhile, private credit experienced a substantial decline.

In the latter half of 2001, M2A growth moderated somewhat as accumulation of net foreign assets slowed dramatically compared to the first half of the year. Net credit to government continued to edge upwards while private credit fell substantially compared to the first half of the year.

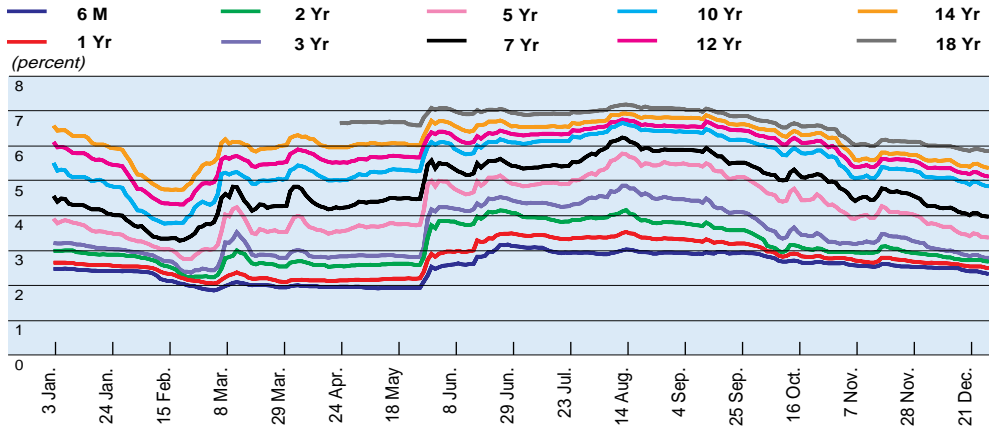
Overall, M2A rose by 4.6 percent at end- 2001 compared to the 2.2 percent expansion at end-2000.

M3 followed a path similar to that of M2A increasing from B5,973.5 billion at end -2000 to B6,311.6 billion at end -2001. This was equivalent to an increase of 5.7 percent at end - 2001 compared to 4.5 percent at end - 2000.

E. Government Bond Yields in the Secondary Market

In 2001, bond yields fluctuated in line with new developments and changing economic conditions. Yields were particularly volatile in the first quarter driven by both demand and supply factors. In February 2001, commercial banks reduced their interest rates, boosting the demand for bonds. This exerted downward pressure on yields until they bottomed on 20 February 2001. However, yields subsequently rose as the market adjusted to the large increase in the supply of state enterprise

Movements of Bond Yields (3 Jan. 2001 - 28 Dec. 2001)



Source : Bank of Thailand

bonds, but then weakened again as liquidity in the system rose. In the second quarter, large issues of state enterprise bonds drove the yields on outstanding long-term bonds up. Importantly, yields shifted up across all maturities towards the end of May 2001 as the markets priced in the expected rise in the BOT's policy interest rate, which eventually took place in June 2001.

In the latter half of 2001, bond yields remained relatively stable with yields on outstanding short-term bonds edging down slightly in July 2001. However, yields rose by around 7-14 basis points on 12 September 2001 following the terrorist attacks in the United States but fell subsequently as markets came to expect a reduction in the policy rate to support the economy in the face of weakening world economic conditions. Yields continued to fall across all maturities into the last quarter of the year reflecting (1) the smaller than expected increase in the new supply of government bonds as new issues of FIDF bonds were postponed; (2) the downward trend in world interest rates associated with the US economic slowdown and lower yields on US government bonds; (3) the expectation that the BOT may reduce the policy rate to support the economic recovery and align domestic rates with gradually declining world interest rates.

Exchange Rate Movements

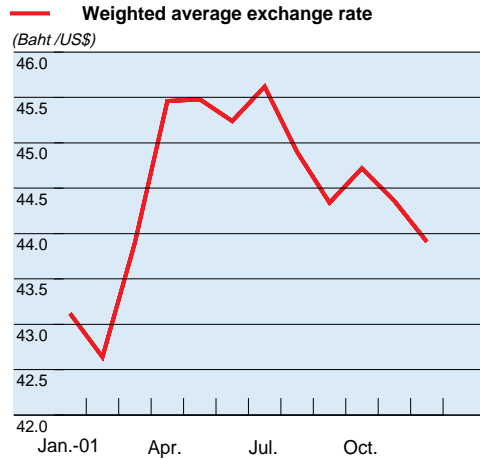
The Baht largely fluctuated in line with the Yen, weakening in the first half of 2001 and strengthening in the latter half.

During 2001 the Baht fluctuated within the range of B42.64 - B45.62 per US dollar with an average of B44.47 per US dollar, 9.7 percent weaker than the previous year. Indeed, the Baht followed a downward trend throughout the first half

of the year with the weakest level recorded in the second quarter. However, the Baht subsequently strengthened in the latter half of the year.

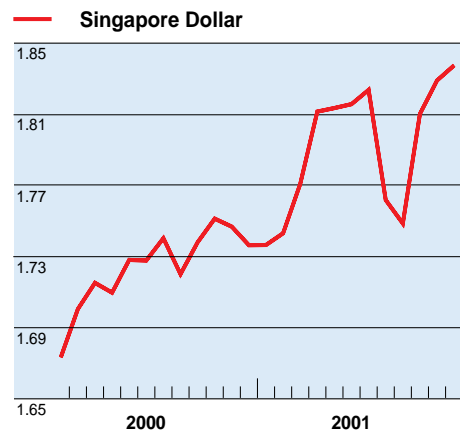
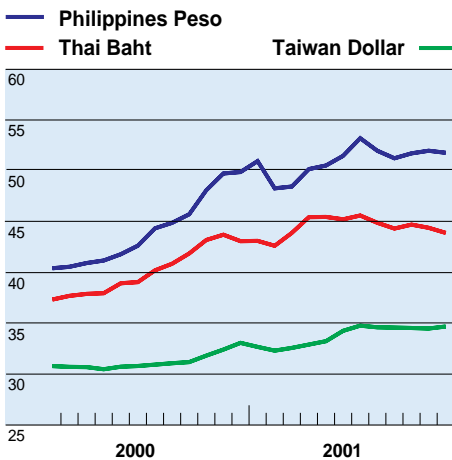
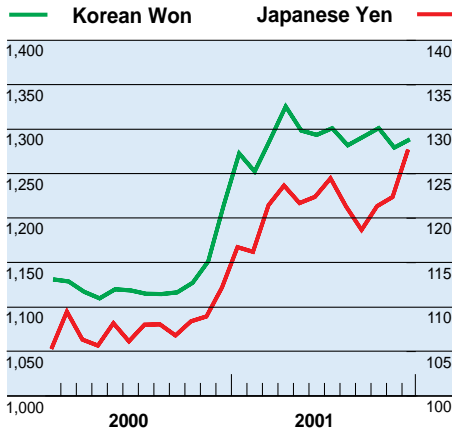
The depreciation of the Baht during the first half of 2001 stemmed mainly from low interest rates in the money market and the weakening economic outlook. In addition, a 9.7 percent weakening of the Yen relative to the US dollar driven by uncertainty regarding the Japanese economic recovery put downward pressure on the Baht as well as regional currencies.

Movements of Exchange Rate



Source : Bank of Thailand

Exchange Rate per US Dollar (Monthly Average)



Source : Official Sources, CEIC

In the latter half of 2001, the Baht strengthened throughout the third and fourth quarters driven by both domestic and external factors. In particular, the US economic slowdown prompted further easing of monetary policy which weakened the US dollar relative to the Yen, the Baht, as well as other regional currencies. Moreover, confidence in the Baht increased in line with the reduction in foreign debt, a stronger international reserves position, and upward adjustments in market interest rates in the third quarter.

Regional currencies weakened across the board in the first half of 2001 in line with the weaker Yen and slowing economic growth domestically. Some countries, such as the Philippines, saw their currency weaken as a result of political uncertainty. Most currencies in the region continued to weaken together with the Yen in the latter half of the year with a few exceptions. The Korean Won strengthened with the rapid rebound in the securities market while the Indonesian Rupiah appreciated as political tensions eased following the commencement of Megawati's presidency.

Capital Market Developments

Non-bank capital markets

– Large corporations which are listed on the Stock Exchange of Thailand (SET) raised funds through new equity and bond issuance amounting approximately to B183.7 billion (excluding finance companies). Of this total, B66 billion resulted from the re-capitalization of Thai Petrochemical Industry PCL (TPI), while a large part of the increase in corporate bonds came from the telecommunications sector.

– At the same time, medium and small businesses borrowed mainly from other financial institutions and non-bank institutions. An important source of funds in this area was the leasing and factoring business which medium and small businesses rely on for short-term working capital. In 2001 the leasing and factoring business expanded rapidly. In addition, medium and small businesses increased their borrowing from the Small Industrial Finance Corporation by B2.2 billion in 2001 compared with an increase of only B0.61 billion in the previous year.

– Households obtained credit from companies such as AEON Thana Sinsap (Thailand) PCL and GE Capital to finance part of their consumption

Developments in the secondary bond market

In 2001, trading volume amounted to B1,592,219.33 million, or 17.3 percent higher than that of 2000. Average Daily volume fell during the second and third quarters, declining from B8,072 million in the first quarter to B6,457 million and

Table 20 : Private Non-bank Financing Service*(Unit : Billion Baht)*

	1999	2000	2001
Finance companies & Non-bank Credit	-6.5	30.7	54.1
Finance Companies ^P	-15.5	22.3	28.7
Specialized Financial Institutions ^P	8.0	-10.3	19.6
Leasing and Factoring Businesses	0.8	15.8	n.a.
Debtors of three listed companies*	0.5	1.8	3.5
Debtors of other companies	0.3	14.0	n.a.
Companies that lend for consumption**	0.2	2.9	5.8
Capital Market (Non-Financial Institution)	172.9	156.9	183.7
Equity (Ordinary and Preserves Shares)	46.1	59.0	100.7
Domestic debt instruments	126.8	98.0	83.0
Total	166.4	187.6	237.8

Note : * *Trade debtors at the end of third quarter 2001 of listed companies including Phatra Leasing PCL, Siam General Factoring PCL and Siam Panich Leasing PCL*

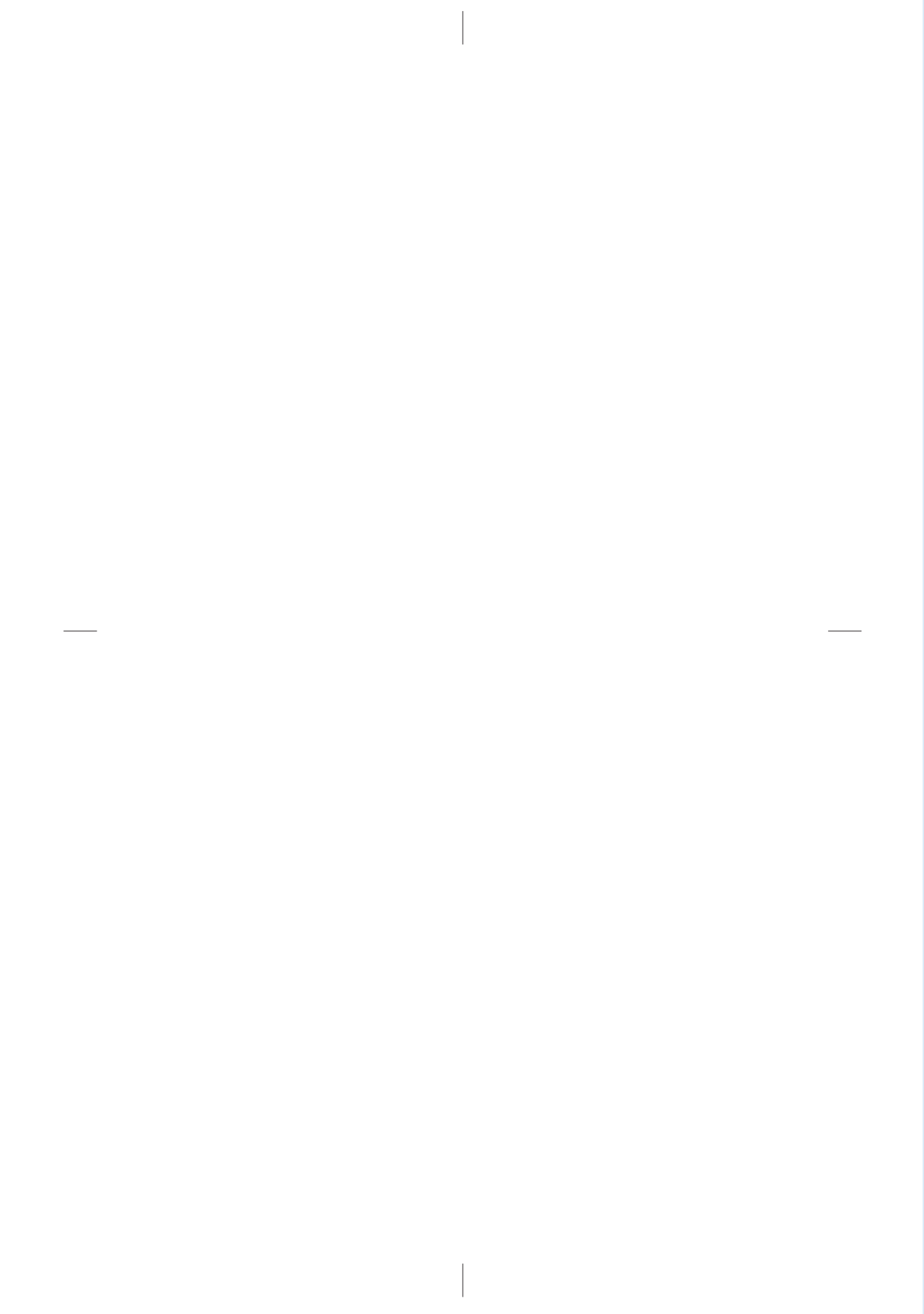
** *G.E. Capital and AEON Thana Sinsap (Thailand) PCL*

P : *Preliminary data as of end - November 2001*

Source : *Ministry of Commerce and Office of the Securities and Exchange Commission (SEC)*

B5,411 million in the second and third quarters, respectively. In any case, volume in the fourth quarter picked-up from the previous two quarters, particularly after the terrorist attacks in the United States in September 2001, with average daily volume reaching B5,964 million. Among the reasons for the higher turnover was the expectation that countries would reduce interest rates to revive their economies, prompting investors to increase their interest in the bond market.

Bond yields moved higher across all maturities in the second quarter of 2001. In particular, yields on the 1 - 3 year short-term, 5 - 7 year medium-term, and 10 year long-term bonds rose from the first quarter by 1.53 percent, 1.27 percent, and 1.04 percent, to 3.49 - 4.44 percent, 4.92 - 5.43 percent, and 6.1 percent, respectively. The main factors pushing up yields were (1) concern about possible increases in the supply of government bonds in 2002, and (2) the policy rate hike in June 2001. Nonetheless, short-term, medium-term, and long-term bond yields came down in the fourth quarter to 2.49 - 2.79 percent, 3.37 - 3.97 percent, and 4.84 percent, respectively. Key developments were (1) the announcement of the postponement of the fiscalization of the FIDF; (2) a reduction in the BOT's policy interest rate; and (3) further reduction to the Fed Funds rate.



IMPORTANT MEASURES AND POLICIES

Important Measures and Policies

Fiscal Measures

During 2001, the government implemented several measures, aiming to strengthen the overall economy and to achieve sustainable long-run growth. These fiscal measures can be summarized as follows:

A. Measures Affecting the Real Sector

1. Measures to stimulate the economy

1.1 Establishment of the Village and Urban Revolving Fund (VURF) by allocating B1 million to each of the 74,881 villages nationwide to be used as a revolving fund or micro credit facility. The objective of the scheme is to provide funds for career development, job creation, income enhancement, and other public uses in a community. According to the plan, the VURF will secure loans, guaranteed by the Ministry of Finance, from the Government Savings Bank (GSB) as sources of funds for this plan. The government will then repay VURF's borrowings through its yearly budget.

As of 25 December 2001, the villagers disbursed a total of B37,739 million out of B56,346 million available, or 67 percent. Below is the proportion breakdown of the use of fund.

1.1.1 Agriculture 75.4 percent

1.1.2 Household industry 3.7 percent

1.1.3 Services 3.7 percent

1.1.4 Commerce 1.0 percent

1.1.5 Emergency relief and necessity 1.0 percent

1.1.6 Group activities 1.7 percent

(Cabinet Resolution on 25 December 2001)

1.2 Debt suspension for small-scale farmers through financing vehicles for farmers. An annual budget of B1,196 million was allocated for this purpose bringing the total of the three year period to B3,588 million for this scheme. The target group included 1.152 million farmers in 5,161 agricultural institutions, 1.085 million farmers in 1,762 agricultural cooperatives and 0.067 million farmers in 339 agricultural groups. This measure was effective from October 2001.

(Cabinet Resolution on 12 November 2001)

1.3 Approval of the framework for national programme to allocate economic stimulus reserve fund of B58,000 million for the fiscal year 2002. The Committee set up to consider proposed projects endorsed 27 projects worth B16,425.81 million. Out of 27 projects, the Cabinet approved 21 projects worth B12,586.55 million. The other 6 projects worth B3,839.26 million were awaiting submission for Cabinet approval. Only B1.18 million for the Thai business revival project was disbursed. The Budget Bureau approved allotments for three projects worth B7,295 million.

**Table 1 : Contingent Economic Stimulus Expenditures
for FY 2002 by National Programme Classification**

(Unit : Million Baht)

National programme	Budget	Approved by Committee		Remaining balance	Approved by Cabinet	
		Number of projects	Amount		Number of projects	Amount
Agriculture	15,500	8	4,776.80	10,723.20	6	3,618.55
Industry/ SMEs	8,000	4	2,212.50	5,787.50	3	2,205.00
Tourism	6,000	8	3,891.77	2,108.23	5	1,218.26
Community	8,500	0	–	8,500.00	–	–
Training	8,000	7	5,544.74	2,455.26	7	5,544.74
Subtotal	46,000	27	16,425.81	29,574.19	21	12,586.55
Agriculture products price stabilization programme	12,000					
Total	58,000					

Note : The remaining balance excludes projects approved by the Cabinet on 4 December 2001 and 11 December 2001 as follows :

1. Prevention and resolution plan for flooding problem in Udonthani amounting to B452.23 million.
2. Four projects of the Tourism Authority of Thailand amounting to B47.08 million.

(Cabinet Resolution on 25 December 2001)

1.4 Deferring the plan to hike Value Added Tax (VAT) from 7 percent to 10 percent to 30 September 2002.

(Cabinet Resolution on 12 June 2001)

1.5 Reviewing the annual promotion and salary increase to twice a year (1 April and 1 October) starting 1 April 2001. Salary increase must not exceed 6 percent of total salary. Annual reward is renewed on every first of October starting

2001. The new guidelines applied to all government officers in administrative branch except officers in the Attorney General's Office.

(Cabinet Resolution on 3 April 2001 and 17 July 2001)

1.6 Measures and guidelines to expedite the disbursement of the Budget for the fiscal year 2002-2003 are as follows:

Relevant agencies must submit operational plan for uses of the budget, purchasing and hiring, and disbursement plans for the fiscal year 2002 to the Budget Bureau by 15 October 2001 and must submit the same plans for the fiscal year 2003 to the Budget Bureau by 15 September 2002.

The Budget Bureau must provide quarterly updates and follow-up reports for this operation plan as well as disbursement of state enterprises to the Cabinet.

(Cabinet Resolution on 4 September 2001)

1.7 Targeting actual disbursement of the government budget for the fiscal year 2002 at 91 percent of the total budget of B965 billion. This amount did not include a reserve fund of B58 billion earmarked for special economic stimulus projects. The disbursement rate would vary depending on the actual amount of reserve fund utilized. For example, the disbursement rate would be 88.7 percent, 90.1 percent and 91.5 percent if the reserve amounts were utilized at 50 percent, 75 percent and 100 percent, respectively.

(Cabinet Resolution on 25 September 2001)

1.8 Measures to follow-up the actual disbursement of the fiscal year 2002 budget. The government aimed to have at least 70 percent of total government investment expenditure actually disbursed. Actual disbursement rate would be used as a key performance indicator. Government agencies were required to submit a copy of purchasing, hiring and disbursement plan to the Comptroller-General's Department. This plan would be used as information for monitoring and follow-up purpose.

(Cabinet Resolution on 22 October 2001)

1.9 Annual budget of 50 state enterprises for the fiscal year 2002. Projected operating budget included total revenue of B1,289.53 billion, total expenses of B1,225.79 billion, and net profits of B63.74 billion. Approved capital expenditure of B204.9 billion of which B160.5 billion was qualified for budget disbursement. However, retained income of B144.68 billion was available for investment, resulting in the total deficit of B15.8 billion or 0.3 percent of GDP.

(Cabinet Resolution on 25 September 2001)

2. Measures to support private investment

2.1 Support for Small and Medium Enterprises (SMEs) by reducing corporate income tax rate for a company with issued and fully paid-up share capital lower than B5 million to the following:

2.1.1 20 percent of net profit below B1 million

2.1.2 25 percent of net profit between B1 million and B3 million

2.1.3 30 percent of any net profit above B3 million

The scheme applies to net profits of the companies or juristic partnerships generated after 1 January 2002.

(Cabinet Resolution on 18 September 2001)

2.2 Tax break to support venture capital businesses by exempting these companies and their investors from income tax on dividend income and capital gain.

(Cabinet Resolution on 18 September 2001)

2.3 Excise tax reduction for yachts and marine vehicles for leisure purpose from 50 percent to 5 percent.

(Cabinet Resolution on 16 October 2001)

2.4 Tax break for multinational corporations seeking to set up Regional Operating Headquarters (ROHs) in Thailand as follow:

2.4.1 Reduced corporate income tax from 30 percent to 10 percent for the ROH.

2.4.2 Reduced and provided tax exemption for other items as follows:

(1) Reduced corporate income tax rate to 10 percent for net profits generated from royalties as a result of research and development.

(2) Reduced corporate income tax rate to 10 percent for net profits derived from interest income received from related companies and/or branches.

(3) Exempted corporate income tax for any dividend income received from related companies for both domestic and international.

(4) Exempted corporate income tax from any dividend paid from ROH in Thailand to other companies which are not incorporated in Thailand.

2.4.3 Allowed 25 percent depletion and depreciation for cost of buildings and improvements immediately at the acquisition date and the rest within 20 years.

(Cabinet Resolution on 11 December 2001)

3. Measures to support specific businesses

3.1 Excise tax reduction for gasohol which has at least 10 percent of ethanol content to B3.3165 per litre, or B0.43 per litre lower than that of benzene gasoline.

(Cabinet Resolution on 1 May 2001)

3.2 VAT exemption for the sale of diesel gasoline to fishing boat effective until 31 December 2001.

(Cabinet Resolution on 26 June 2001)

3.3 Tariff reduction for equipment relating to the use of natural gas in the transportation sector.

(Cabinet Resolution on 14 August 2001)

3.4 Withholding tax reduction specifically on transportation fares from 3 percent to 1 percent effective from 15 September 2001.

(Cabinet Resolution on 21 August 2001)

B. Measures for State Enterprises

Increased registered capital of the Petroleum Authority of Thailand PCL (PTT) by 850 million shares or B8,500 million and sold shares owned by the Ministry of Finance (MOF) concurrently. However, such sale of MOF owned shares in PTT must not exceed 100 million shares.

(Cabinet Resolution on 2 October 2001)

C. Measures of Debt Incurring and Public Debt Restructuring.

1. Approved B5,300 million borrowing by the Petroleum Authority of Thailand PCL (PTT) to refinance the existing domestic bond due in 2001 and to provide permanent working capital for "Take or Pay" gas purchase agreement from Yanada and Yetagun sources worth B17,000 million with 10-year maturity. In addition, the Cabinet approved PTT to borrow B9,110 million short-term loans from 17 financial institutions. These short-term loans had one-year maturity, from 1 January 2001 to 31 December 2001, without guarantee from the Ministry of Finance.

(Cabinet Resolution on 30 January 2001)

2. Approved the Expressway and Rapid Transit Authority of Thailand (ETA) to incur new borrowing in order to refinance existing borrowing totalling B2,940 million, to be due on 26 April 2001.

(Cabinet Resolution on 3 April 2001)

3. Approved four state enterprises namely; the Metropolitan Electricity Authority, the Expressway and Rapid Transit Authority of Thailand, the State Railway of Thailand and the Metropolitan Waterworks Authority to incur domestic borrowings totalling B3,327 million. This domestic borrowing was used as a Baht counterpart to supplement foreign currency borrowings.

(Cabinet Resolution on 5 June 2001)

4. Restructured government debt profile to accommodate the financial obligation of the Financial Institutions Development Fund (FIDF) whose three bonds totalling B69,041.48 million to be due in 2001, as follows:

4.1 Issued two new government bonds worth B32,560.48 million.

4.2 Re-opened three existing government bonds totalling B25,879.52 million.

4.3 Issued B10,400 million promissory notes for restructuring with 182-day maturity.

4.4 Repaid the principal amount of debt incurred in conjunction with losses in FIDF totalling B201.48 million. The source of fund came from the Principal Repayment Funds to finance the loss of FIDF.

5. Approved five state enterprises to incur domestic borrowings in order to refinance the existing domestic debt, to be due in the fiscal year 2002, totalling B24,368.69 million. This amount comprised B1,650 million for the Metropolitan Waterworks Authority, B3,775.5 million for the Government Housing Authority, B2,000 million for the Provincial Waterworks Authority, B13,443.19 million for the Expressway and Rapid Transit Authority of Thailand and B3,500 million for the Mass Rapid Transit Authority.

(Cabinet Resolution on 10 October 2001)

6. The government approved future debt issuance to finance the budget deficit for the fiscal year 2002. The size of such issuance should not exceed B200,000 million with less than 20-year maturity and should carry an appropriate market interest rate at the time of issuance.

(Cabinet Resolution on 30 October 2001)

7. Issued Japanese Yen samurai bonds amounting Y35,000 million in order

to refinance the Yen-denominated loans of Y12,000 million for the Metropolitan Electricity Authority and Y23,000 million for the Thai Airways International PCL.

(Cabinet Resolution on 27 November 2001)

8. Amended external debt incurring plan for the fiscal year 2001 by reducing the number of projects from 14 to 2. These two projects included the purchase of two long-range commercial aircraft for the Thai Airways International PCL amounting US\$300 million. The government did not provide guarantee for such purchase. There was no additional plan to utilize the unused foreign debt incurring limit of US\$2,300 million for the fiscal year 2001.

(Cabinet Resolution on 27 November 2001)

9. The government approved external debt incurring plan for the fiscal year 2002 as follows:

9.1 Established the limit of US\$1,000 million for the fiscal year 2002.

9.2 Approved the external debt incurring plan for the fiscal year 2002 including 8 projects of direct government borrowing, totalling US\$490.22 million and 8 government-guaranteed projects amounting US\$703.24 million.

9.3 Approved additional domestic credit limit for state enterprises to substitute foreign-currency loans amounting B15,000 million for the fiscal year 2002.

9.4 Approved in principle to empower the National Debt Policy Committee to amend external debt incurring plan as appropriate within the limit established above.

(Cabinet Resolution on 25 December 2001)

D. Measures for Debt Restructuring

1. Exempted VAT, specific business tax and stamp duty levied on assets transferred back from Asset Management Companies (AMCs) to financial institutions which previously owned such assets. The provision will be effective until 30 June 2002.

(Cabinet Resolution on 5 June 2001)

2. Extended the exemption period of VAT, specific business tax and stamp duty for public companies and companies limited which transferred (in part) assets among each other within 31 December 2001. This was effective from 1 January 2001. In addition the exemption period of the registration fees for immovable assets transferred was extended for companies, which received specific business tax exemption.

(Cabinet Resolution on 24 July 2001)

Monetary Measures

In order to maintain economic and financial stability and better accommodate economic developments, the authority implemented certain changes to its monetary policies in 2001. The adjustments included correcting the misalignments in short-term interest rates, abolishing the bank rate, improving and developing various financial market regulations and encouraging lendings to SMEs. In addition, measures to deter Baht speculation were also relaxed and new measures to resolve financial institutions' problems were introduced, including supervision and development issues. Moreover, the Monetary Policy Committee's assessment of current economic conditions and outlook were periodically released to the public, all of which are summarized below.

A. Interest Rates

1. Corrections of misalignments in short-term interest rates

In order to correct misalignments in short-term interest rates whereby the interbank rate was lower than deposit rate, the BOT announced an increase in the 14-day repurchase rate, its policy interest rate, from 1.5 percent per annum to 2.5 percent per annum.

(Press Release dated 8 June 2001)

2. Abolition of the Bank Rate

The BOT announced the abolition of the bank rate in order to increase the effectiveness of its policy interest rate (the 14-day repurchase rate) as a signal. Consequently, any related regulation, notification, circular, contract, agreement, rule, condition imposed by any public or private sector organizations shall now use the rate charged by the end-of-day liquidity window facility, as defined in the Bank of Thailand's regulation on Repo transactions 2001, whenever a reference to the bank rate needs to be made.

(Announcement on 25 September 2001, effective from 1 October 2001)

B. Implementation of Monetary Policies

1. Monetary Policy Board's Decision on 18 January 2001

The BOT announced the decision of the Monetary Policy Board (MPB) regarding the appropriate stance of monetary policy. The MPB viewed that the slowdown in the US economy would have some adverse impact on Thai exports. Nonetheless, some positive factors remained, including the expected decline in oil

prices and the rapid cuts in the US interest rates. Hence, the MPB decided to maintain the 14-day repurchase rate at 1.5 percent per annum.

(The Bank of Thailand news no. 13/2001, dated 18 January 2001)

2. Monetary Policy Board's Decision on 1 March 2001

The BOT announced the decision of the MPB regarding the appropriate stance of monetary policy. The MPB viewed that growth would be moderate due to vulnerabilities resulting from the slowdown in the US economy and regional economies. Taken into account various announcements on policy initiatives of the new government, it was expected that cash expenditure would increase in the second quarter of 2001 onwards. The MPB perceived that inflationary pressures from the fiscal stimulus would be contained so that core inflation trend would remain within the target range. Moreover, the MPB's sustained easing bias had brought down long-term interest rates. The MPB therefore agreed to maintain the 14-day repurchase rate at 1.5 percent per annum.

(The Bank of Thailand news no. 39/2001, dated 1 March 2001)

3. Monetary Policy Board's Decision on 19 April 2001

The BOT announced the decision of the MPB regarding the appropriate stance of monetary policy. The MPB viewed that the slowdown in the US and Japanese economies continued to hamper Thai exports. Support for the economic recovery would therefore come mainly from domestic demand and fiscal stimulus. In 2002, the MPB expected growth to rise as a result of measures implemented by other countries to revive their economies, coupled with the cuts in US official interest rates. However, despite the accommodative stance of Thailand's monetary policy, current world economic and financial situation together with an inability of financial institutions to resume normal operations, would impair the prospect of growth improvement. Hence, growth was not expected to be high. Consequently, the MPB continued to maintain the 14-day repurchase rate at 1.5 percent per annum.

(The Bank of Thailand news no. 60/2001, dated 19 April 2001)

4. Monetary Policy Board's Decision on 24 May 2001

The BOT announced the decision of the MPB regarding the appropriate stance of monetary policy. The MPB viewed that growth would remain within the level predicted last month, while the economies of Thailand's trading partners would register an improvement. Despite a significant increase in the rate of inflation in April, it was expected to remain within the target range of 0 - 3.5 percent for the next 8 quarters. Moreover, it was viewed that if public spending increased in line with expectations, investment spending would increase and the capacity utilization

rate would strengthen. Furthermore, the establishment of the Thai Asset Management Corporation (TAMC) would lead to an improvement in the operation of financial institutions. Therefore, the MPB decided to maintain the 14-day repurchase rate at the same level.

(The Bank of Thailand news no. 75/2001, dated 24 May 2001)

5. Monetary Policy Committee's Decisions on 12 July 2001

The BOT announced the decision of the Monetary Policy Committee (MPC) regarding the appropriate stance of monetary policy. The MPC agreed to adopt the previous framework of monetary policy. Core inflation would be kept below the 3.5 percent ceiling, and the 14-day repurchase rate would remain the policy interest rate. With respect to monetary policy implementation, the MPC and the BOT would monitor external stability more closely, especially the declining current account surplus. Furthermore, external stability would also be strengthened through better exchange rates management aimed at reducing short-term fluctuations.

In terms of the assessment of the economic conditions, the MPC noted that the economies of Thailand's important trading partners exhibited a weakening trend. However, a few positive factors remained, including the passage of the tax cut bill in the US, and the clearer proposal for a debt-restructuring plan in Japan. After consideration of the future trend for inflation, the probability of inflation being above the target level was deemed to be low. Moreover, the move to increase short-term interest rates on 8 June 2001 was adequate to correct the misalignment in the short-term interest rate structure. The MPC therefore, decided to maintain the 14-day repurchase rate at 2.5 percent per annum.

(The Bank of Thailand news no. 93/2001, dated 12 July 2001)

6. Monetary Policy Committee's Decision on 29 August 2001

The BOT announced the decision of the MPC regarding the appropriate stance of monetary policy. The MPC viewed that Thailand's trading partners, especially the United States and regional economies, still exhibited a weakening trend, causing exports to slowdown. The lack of signs of a swift recovery weakened Thailand's growth prospects. However, if fiscal stimulus measures were sustained, they would help to boost domestic demand and alleviate some of the negative impact.

Growth was expected to reach approximately 1.5 - 2.0 percent year-on-year. Upward pressure on prices remained subdued, with core inflation expected to reach approximately 2.0 percent in 2001 and would remain within the target range for the entire 8 subsequent quarters.

The MPC agreed that interest rates were adequately low for economic

recovery, and therefore decided to maintain the 14-day repurchase rate at 2.5 percent per annum.

(The Bank of Thailand news no. 112/2001, dated 29 August 2001)

7. Monetary Policy Committee's Decisions on 17 October 2001

The BOT announced the decision of the MPC regarding the appropriate stance of monetary policy. The MPC viewed that the terrorist attacks in the US generated a negative impact on the economies of Thailand's trading partners. This would adversely affect Thailand's economic growth in the next period. Nevertheless, fiscal measures to revive the economy and financial system restructuring through the TAMC should improve the functioning of the financial system. These positive factors would alleviate the negative external impact. Moreover, interest rates cuts in the United States and other countries had reduced the interest rate differential, and helped imparting a positive impact on external stability.

The MPC agreed that it was still necessary to maintain an accommodative monetary policy stance in order to support the resolution of the country's economic problems. It also viewed that interest rates were at an appropriate level to facilitate economic recovery and maintain stability of international reserve and the Baht. Moreover, inflation still remained within the target range. Thus, the MPC decided to maintain the 14-day repurchase rate at 2.5 percent per annum.

(The Bank of Thailand news no. 123/2001, dated 17 October 2001)

8. Monetary Policy Committee's Decision on 27 November 2001

The BOT announced the decision of the MPC regarding the appropriate stance of monetary policy. The MPC viewed that the possibility of the world economy entering a deep recession was negligible. This was due to the fact that the major economies have consistently pursued expansionary monetary and fiscal policy. Moreover, fiscal measures and the front-loading of budget disbursements during the first half of FY 2002 would help to alleviate the economic slowdown. Consequently, growth was forecasted to range between 1.3 - 1.8 percent year-on-year in 2001, and 1 - 3 percent year-on-year in 2002. Moreover, core inflation should remain between 1.5 - 2.5 percent during 2002.

The MPC agreed that, given the current economic situation, it was still necessary to maintain an accommodative monetary policy stance. Therefore, it decided to maintain interest rate at the same level of 2.5 percent per annum.

(The Bank of Thailand news no. 126/2001, dated 27 November 2001)

9. Monetary Policy Committee's Decision on 25 December 2001

The BOT announced the decision of the MPC regarding the appropriate

stance of monetary policy. The MPC viewed that Thailand's current financial situation on the external front had become more stable. The Baht was stable and official reserves were strong. However, growth was expected to slowdown during the next period.

The latest data pointed to continued uncertainties and possible further slowdown in world economy, especially in the United States, Japan, and other Thailand's major trading partners. This had important repercussions on Thai exports and economic situation. Furthermore, the declining trend in inflation had resulted in higher real interest rates which may have weakened growth. At the same time, core inflation in 2002 was projected to remain low and well within the range of 1.5 - 2.5 percent per annum, while external stability improved creating room for an easing of monetary policy. Thus, in order to promote economic recovery, the MPC announced a cut in the 14-day repurchase rate by 0.25 percent, from 2.5 percent per annum to 2.25 percent per annum.

(The Bank of Thailand news no. 132/2001, dated 25 December 2001)

C. Measures for Money Market Development

1. Measures concerning the bond repurchase market to improve end-of-day liquidity

The BOT acts as a lender of last resort for financial institutions with short-term liquidity problems. Previously, there were 3 liquidity windows available to financial institutions for this purpose, namely the loan window, the late hour repurchase window and the intraday liquidity facility. However, the rates charged by these facilities were uncorrelated and inconsistent with the policy interest rate, resulting in ineffective monetary policy signaling. Therefore, the BOT decided to replace these facilities with a single end-of-day liquidity window. Under this facility, the BOT will enter into bond purchasing transactions with financial institutions and specialized financial institutions (the Government Saving Bank, the Government Housing Bank, the Bank for Agriculture and Agricultural Cooperatives, the Export - Import Bank of Thailand, the Industrial Finance Corporation of Thailand, the Small Industrial Finance Corporation, the Secondary Mortgage Corporation, and the Thai Asset Management Corporation) at 90 percent of the face value at an interest rate equal to the policy interest rate plus 1.5 percent per annum. A financial institution wishing to use this facility must notify the intention to sell to the BOT between 17:00 - 17:30 hrs., send confirmation by 10:30 hrs. and repurchase the bond by 12:00 hrs. the next business day.

(Circular dated 25 September 2001, effective from 1 October 2001)

2. Bilateral Repo of the financial institutions

In line with the BOT's policy to encourage financial institutions in the

securities repurchase agreements, the following rules, procedures and conditions were set for commercial banks to facilitate borrowings in the private repurchase market:

2.1 The definition of private repurchase is given as the trading of securities with an agreement to resell or repurchase, so as to facilitate lending/borrowing between financial institutions, using securities as collateral. This definition is contained in circular BOT.FPG(11)c. 3491/2543, dated 25 December 2000, policy statement of the Bank of Thailand on the private repurchase of the financial institutions.

2.2 The portion of the value of the securities used as collateral by a commercial bank that exceeds the borrowed amount must be added to the value of credits, investment or obligation to the counter-party financial institution. If this amount exceeds the single lending limit, then the commercial bank will not be able to enter into the private repurchase transaction. In the case where the commercial bank was in compliance with this condition at the time it entered into the transaction, but later exceeded the single lending limit, for whatever reason, then it can no longer enter into future private repurchase transactions. However, the previous transaction approved would still be binding according to the agreement.

2.3 In the calculation of the rate in 2., in the case where the securities used as collateral depreciates in value, if the borrowing commercial bank is called for a cash margin, then the borrowed amount is to be reduced by the increase in margin. However, if the bank is called for a security margin, then the collateral value should be increased by the amount of the increase in margin.

In the case where the securities used as collateral appreciates in value, if the borrowing commercial bank receives a cash margin return, then the borrowed amount is to be increased by the amount of margin return. However, if the bank receives a security margin return, then the collateral value should be decreased by the amount of the margin return.

2.4 The market price is to be used in securities valuation.

(Circular dated 27 August 2001, the Bank of Thailand announcement dated 17 August 2001, effective from 21 August 2001)

3. Approval for commercial banks to borrow in a form of private repurchase from institutional investors

The BOT gave approval for commercial banks (excluding BIBF) to borrow in the form of private repurchase from institutional investors, including:

3.1 Mutual Funds, Provident Funds and Private Funds under supervision of the Office of the Securities and Exchange Commission (SEC)

3.2 The Government Pension Fund

3.3 The Social Security Office

3.4 Specialized financial institutions established by law, such as the Asset Management Corporation and the Secondary Mortgage Corporation, etc.

3.5 Life insurance and casualty insurance companies

The BOT's supervisory and regulatory policies on the private repurchase undertaking of the financial institutions will continue to be applied as well as other regulations and supervisory measures to be announced in the future.

(Circular dated 9 November 2001)

4. Designation of asset management companies as financial institutions

The BOT issued a circular notifying financial institutions and asset management companies of the announcement of the Ministry of Finance, which recognized all asset management companies registered under the Emergency Decree on Asset Management Companies B.E. 2541 (1998) as financial institutions. The implication was that asset management companies were now able to purchase or transfer assets between each other.

(Circular dated 14 November 2001, the Ministry of Finance's announcement dated 1 November 2001, effective from 7 November 2001)

D. Foreign Exchange Measures

1. Purchase of foreign currencies from embassies, consulate offices, specialized agencies of the United Nations, representative offices of international organizations in Thailand

The BOT issued a circular in order to notify commercial banks (excluding BIBF), the Export-Import Bank of Thailand, the Industrial Finance Corporation of Thailand and the Asia Credit PLC that they do not need to follow the guidelines set out in the Bank of Thailand's circular dated 28 February 2001, regarding regulations on measures against Baht speculation, when conducting the purchase of foreign currencies with "value same day" and "value tomorrow" from embassies, consulate offices, specialized agencies of the United Nations or representative offices of international organizations.

(Circular dated 27 April 2001)

2. Baht lending to non-residents (measures to deter Baht speculation)

The BOT relaxed regulations against Baht speculation by allowing financial

institutions to give direct loans to non-residents in neighbouring countries of Union of Myanmar, the People's Democratic Republic of Laos, Cambodia, Vietnam and the southern part of the People's Republic China, with the following conditions:

2.1 Financial institutions wishing to provide direct loans in Baht to non-residents in the neighbouring countries must seek permission from the BOT on a case by case basis.

2.2 After the credit has been extended, the financial institution must deposit the Baht into no more than one Special Non-resident Account (SNA) that the non-resident opened with a financial institution. The financial institution must report the name and account number of the SNA and all changes to the account status to the BOT.

2.3 The financial institution where the SNA is held at must oversee that withdrawals from the account are for the purpose prescribed by the BOT. Such purpose is for the purchase of domestic goods and services or repayment of liabilities to a Thai resident, and not for the purchase of foreign currencies. Borrowing of Baht to purchase foreign currencies is normally prohibited by the BOT, but a non-resident may undertake such transaction only if the intention is reported the first time the request to borrow was filed.

2.4 The BOT does not allow for transfers between SNAs or between a SNA and other Baht account of a non-resident.

(Circular dated 28 December 2001, effective from 27 December 2001)

E. Credit Measures

1. Setting of SMEs lending targets in 2001

The BOT required locally incorporated commercial banks to submit their SMEs lending targets for the year 2001 no later than 15 March 2001. The report should clearly spell out the feasibility of achieving such targets which should be realistic to enable a semiannual monitoring system to take place. Commercial banks were required to report on their SMEs lending activities to the Bank of Thailand by 21 July 2001 for the first half of 2001 and by 21 January 2002 for the second half of 2001.

(Circular dated 1 March 2001)

2. Interest rate limit on loans

The BOT abolished the previous requirement on the calculation of the Minimum Retail Rate (MRR) that commercial banks quote to ordinary customers using the posted MLR plus a spread not exceeding 4 percent per annum.

Instead, commercial banks were required to calculate loan interest rates according to the guidelines set in the announcement of the BOT on guidelines for commercial banks on interest rates and discounts, dated 20 October 1993, and its revision. Furthermore, commercial banks were required to report on their average cost of fund from deposit to the BOT on a quarterly basis.

(Circular dated 10 August 2001)

3. Relaxation of the lending limit to hire-purchase companies for passenger cars (less than 7 passengers)

The BOT relaxed the limit imposed on financial institutions that they can only lend a maximum of 5 percent of total credits to passenger cars hire purchase companies. This was aimed to increase credit extension by financial institutions. Furthermore, financial institutions were required to put up a public announcement at all contact offices on the following rules and regulations:

3.1 The requirement of a first installment payment by the leasee at the time of the contract;

3.2 The duration of the loan repayments; and

3.3 The conditions for the repossession of the vehicle and installments paid by the leasee.

(Circular dated 27 August 2001)

4. Financing for NPL but viable SMEs

The BOT announced the extension of the scheme to support viable SMEs that were non-performing prior to the debt restructuring process. There was also an extension of the debt classification period following circular of the BOT/FPG(12)c. 1156/2543. This scheme was extended for 2 years, ending on 7 April 2004.

(Circular dated 19 November 2001)

5. Documents used for loan approval

The BOT set up certain guidelines for financial institutions regarding documents required for loan approval as following:

5.1 Documents verifying the borrower's identification, nature of business, business plans or policies. The same documents are required of the borrower's related persons;

5.2 Documents of repayment ability; and

5.3 Documents of details of other liabilities or obligations, including collateral used.

Financial institutions must ensure that these documents are up-to-date. Furthermore, all documents shall be photocopied and kept in each borrower's credit file. These guidelines should be implemented immediately for new borrowers.

(Circular dated 12 December 2001)

F. Measures to Resolve Financial Institution Problems

1. Permission for commercial banks to offer an Escrow Account

The BOT extended the scope of commercial bank businesses to include accepting deposits in the form of escrow account where depositors have entered into a purchase/sale agreement with the sellers. Commercial banks have to oversee the withdrawals from the account after both parties have fulfilled all contractual obligations. Furthermore, commercial banks may charge a fee for the opening of the account, the service and other expenses from the customer, as clearly agreed at time of the contract. Moreover, commercial banks must maintain a record of the name and address of the customer, details of the asset in question, guidelines, procedures and conditions of the opening of the account, all deposits and withdrawals, the closing of the account, and other expenses and fees incurred from the opening until the closing of the escrow account.

Commercial banks whose escrow account services are not consistent with the above mentioned guideline must seek prior permission from the BOT or risk having their license revoked.

(Circular dated 8 March 2001)

2. Extension of the holding period for immovable properties

The BOT issued a circular to BIBF, along the line of the 24 December 1999's circular sent to commercial banks, concerning the extension of the holding period for immovable properties. In essence, BIBF may hold immovable properties transferred between 1 January 1997 and 31 December 2001, for longer than the prescribed period. Furthermore, BIBF must sell these properties within 10 years from the date of transfer.

(Circular dated 6 February 2001)

3. Trading of debt restructuring promissory notes in the repurchase market

Following the Ministry of Finance's issue of promissory notes to refinance earlier bonds issued (in accordance with the Emergency Decree enabling the Ministry of Finance to issue bonds to restructure the liabilities of the Financial Institutions Development Fund B.E. 2541), the BOT issued two announcements to financial institutions that were members of the repurchase market, namely:

3.1 The BOT's regulation concerning the sale and purchase of government bonds with a repurchase clause Volume 12 B.E. 2544, where the BOT would purchase debt restructuring promissory notes at 95 percent of face value; and

3.2 The BOT's regulation concerning the sale and purchase of bonds with a repurchase clause with primary dealers Volume 2 B.E. 2544

The definition of "bond" in the former regulations was modified to include debt restructuring promissory notes, where the BOT is the registrar and paying agent. Furthermore, "debt restructuring promissory notes" were defined as promissory notes issued by the Ministry of Finance in accordance with the royal ordinance pertaining financial assistance from the Ministry of Finance to the FIDF.

(Announcement dated 14 September 2001, effective from 17 September 2001)

4. Modification of the regulations on the purchase or holding of shares in limited companies above the legal limit

In an attempt to strengthen the debt restructuring framework and support investment of financial institutions, the BOT modified regulations on the purchase or holding of shares in limited companies above the legal limit as follows:

4.1 Financial institutions (commercial banks, foreign commercial bank branches and BIBF, finance companies, finance and securities companies, and credit foncier companies) are allowed to hold ordinary and preferred shares in debtor companies (as well as debentures in credit foncier companies) above the legal limit as a result of debt restructuring according to BOT's regulations. The holding of such shares shall include shares of companies which the debtor sold to the financial institutions in payment of its debts, shares of the company of debtor's guarantors, as well as shares in companies created to hold or restructure the debtor company.

4.2 Financial institutions which hold shares in limited companies resulting from debt restructuring according to BOT's regulations above the legal limit are required to reduce such holdings and any other holdings of shares in limited companies to meet the legal limit as soon as possible, but no later than 31 December 2004, unless otherwise specified by the BOT.

4.3 The reduction of shares held in limited companies, resulting from debt restructuring according the BOT's regulations must not incur loss to financial institutions, with the exception of the following cases:

4.3.1 The sale of shares of companies registered under the Stock

Exchange of Thailand (SET) at a price no less than their book value or close price one business day prior to the date on which the financial institution sells those securities.

4.3.2 The sale of shares of limited companies not registered under the SET at a price judged to be fair by the financial institution's auditor, if the auditor is unable to guarantee that the price is a fair price, the auditor can appoint a specialist to guarantee that the price is a fair price on the auditor's behalf.

4.3.3 Other cases allowed by the BOT.

The calculation of whether the sale of securities will or will not lead to a loss to the financial institution shall be done by a comparison of the sale price to the book value of the securities on the day purchased.

(Circular dated 7 August 2001)

5 Regulations for Asset Management Companies (AMCs)

The BOT allowed AMCs to purchase immovable properties of debtors that have not been mortgaged with other AMCs. This can be done through an auction as ordered by a court of law or official receiver or collective creditors in the case of debt restructuring. The AMCs must dispose of these immovable properties within 10 years and the same regulations apply to the holding of immovable properties awaiting sale.

(Circular dated 5 October 2001, effective from 25 September 2001)

G. Measures on Supervision and Development of Financial Institutions

1. Prescription on maintenance of assets by foreign commercial bank branches

The BOT circulated the revised Notification of the Ministry of Finance concerning the prescription on maintenance of assets by foreign commercial bank branches. The notification repealed the permission to count the following investments using the capital funds of branches of foreign banks, as assets of Section 6 of the Commercial Banking Act B.E. 2505 as amended by the Commercial Banking Act (No. 2) B.E. 2522. These investments include:

1.1 Investments in shares in limited companies, which finally will be invested in ordinary or preferred shares of commercial banks and finance companies registered in Thailand, in accordance with a scheme approved by the BOT, and

1.2 Investments in ordinary or preferred shares of commercial banks and finance companies registered in Thailand.

(Circular dated 11 January 2001, the Ministry of Finance's announcement, dated 8 December 2000, effective from 19 December 2000)

2. The use of the internet for the services of finance companies and credit foncier companies

The BOT circulated the Notification of the Ministry of Finance concerning the use of the internet for the services of finance companies and credit foncier companies. The main points of this notification include:

2.1 Expanding the scope of financial services that finance companies and credit foncier companies are allowed to undertake using the internet to include all services approved by the BOT, as specified by the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business, B.E. 2522 and its revision. However, these companies are required to obtain approval from BOT prior to undertaking any operations.

Finance companies and credit foncier companies that have been given permission under the Notification by the Ministry of Finance dated 27 January B.E. 2543 under the same title can begin undertaking such services immediately.

2.2 In linking finance companies' and credit foncier companies' Websites with other businesses, they must not show trademarks or messages of other businesses on their homepages. They must also refrain from advertising services offered on other businesses' Websites, or allow transactions between customers and other businesses from their Websites. Finance companies and credit foncier companies are allowed to charge fees for the internet services from their customers and other businesses according to market mechanism, while ensuring fairness for customers.

(Circular, dated 14 February 2001, the Ministry of Finance's announcement dated 22 January 2001, effective from 8 February 2001)

3. Regulations for finance companies and credit foncier companies on lending, deposit taking, and funding from the public.

The BOT issued regulations for finance companies and credit foncier companies on lending and deposit taking from the public. Their customers are required to provide personal details and verifying signatures for all supporting documents. Documents must be stored for at least 5 years from the time the company begins repayment to that customer, for auditing purpose. Customers are required to use their real names and not aliases or false names. For customers

whose loans or deposits with these companies prior to the date that these regulations become effective, finance companies must act in accordance with these regulations within 6 months from the day these regulations become effective, with the exception of customers who cannot be contacted and the company has sent an official letter to these customers explaining the matter.

(Circular dated 29 December 2000, the Bank of Thailand announcement, dated 21 December 2000, effective from 26 February 2001)

4. Lending or investment in related businesses and lending to shareholders

The BOT issued an announcement to financial institutions (excluding BIBF) concerning lending or investment in related businesses and lending to shareholders. The main points from this announcement are as follows:

4.1 Financial institutions must suspend credit extension or investment in businesses that financial institutions or directors or executives of these financial institutions have a vested interest, or lending to shareholders or executives of these financial institutions in an excessive amount.

4.2 Financial institutions must suspend credit extension or investment in businesses that financial institutions or directors or executives of these financial institutions have a vested interest, or lending to shareholders or executives of these financial institutions subject to special conditions or rules.

4.3 Financial institutions must formulate a credit-extension policy or investment policy in businesses which these financial institutions or their directors or executives have a vested interest, as well as to shareholders of these institutions.

(Circular dated 12 September 2001, the announcement dated 4 September 2001, effective from 12 September 2001)

5. Assumption of directorship in limited companies of directors or executives of commercial banks

The BOT issued an announcement concerning amendments to the regulations governing the acceptance of directorships in limited companies by executives of commercial banks. The revised regulations specified that directors and senior executives of commercial banks can take up positions as chairperson, executive director, or director with signing authority in no more than three other limited companies. Any commercial banks with directors or senior executives not complying with the above regulations must amend their positions to comply with the above and report to the BOT within 90 days from the day these regulations become effective. If this is not done in a given time, the BOT reserves the right to issue orders or imposes conditions as allowed by the law.

(Circular dated 12 September 2001, the announcement dated 4 September 2001, effective from 12 September 2001)

6. Expansion of finance companies' and finance and securities companies' scope of business.

The BOT issued an announcement concerning the expansion of finance companies' and finance and securities companies' scope of business in the custodian and maintenance of assets. The expansion included the custodian services for assets, as well as the maintenance and storage of documents of title in assets and other documents related to the sale, transfer, or appraisal of asset values.

(Circular dated 24 September 2001)

7. Valuation of securities used in providing eligible liquid assets

The BOT permitted financial institutions to value their securities as part of eligible liquid assets using book value from the last day of the previous month for the upcoming month's value. This is with the exception of promissory notes by Krungthai Thanakit Finance and Securities Public Company Limited, and certificates of deposit by Krung Thai Bank Public Company Limited, issued under the Notes Exchange Programme for the 56 suspended finance companies, using the face value of the note.

(Circular dated 27 September 2001, effective from 23 November 2001)

8. Expansion of the definition of eligible liquid assets

8.1 The BOT added types of new securities and bonds that can be classified as eligible liquid assets of commercial banks, finance companies, and finance and securities companies, as follows:

8.1.1 Promissory notes for debt restructuring issued by the Ministry of Finance, which are considered as assets of the Thai Government.

8.1.2 Government bonds issued under the Tier-1 and Tier-2 Capital Support Scheme, which are considered as assets of the Thai Government.

8.1.3 Promissory notes issued by the Thai Asset Management Corporation (TAMC) which represents the rights in debts of the Financial Institutions Development Fund (FIDF).

8.2 Credit foncier companies are required to increase unencumbered assets as follows:

8.2.1 Promissory notes for debt restructuring issued by the Ministry of Finance.

8.2.2 Bonds or debt instruments issued by the FIDF.

8.2.3 Debentures, bonds, or debt instruments whose principal and interest are guaranteed or availed by the FIDF.

8.2.4 New securities issued by the Secondary Mortgage Corporation as set forth by the “Specialized Corporation Decree to Convert Assets into Securities B.E. 2540”.

8.2.5 Promissory notes issued by Krungthai Thanakit Finance and Securities Public Company Limited and certificates of deposit issued by Krung Thai Bank Public Company, Limited under the Notes Exchange Programme for the 56 suspended finance companies.

8.2.6 Call loans issued for domestic banks and FIDF.

The BOT granted permission for financial institutions to include promissory notes issued by the TAMC as eligible liquid assets as of the date of receipt of these notes. Any changes in the value of the promissory notes must be matched by a consistent adjustment in the value of eligible liquid assets of the financial institution.

(Circulars dated 8 October 2001 and 9 November 2001, effective from 6 October 2001 and 23 November 2001, respectively)

9. BIBF operation scope

The BOT permitted BIBF transactions to be hedged against interest rate risk with financial institutions. The transactions include loans and internal lending, and lending to foreign customers, other BIBF businesses, the Ministry of Finance, the BOT, or domestic customers that borrowed in foreign currency.

On 2 November 2001, the BOT clarified its BIBF operational guidelines to be in line with that of the Ministry of Finance. The BOT also made an announcement regarding regulations, methods, and conditions in the businesses of BIBF commercial banks, including regulations separating the businesses of BIBF and commercial banks into different business entities, as well as the opening of a nostro account and the separation of documents that are evidence of lending, foreign exchange transactions, or other business by BIBF.

(Circular dated 30 August 2001, the announcement dated 7 August 2001, effective from 17 August 2001, and Circular dated 2 November 2001)

H. Financial Assistance to Priority Sectors in the Economy

1. Financial assistance to economic sectors affected by flood in southern Thailand

The BOT will provide financial assistance to small and medium enterprises under the guidelines on the purchase of promissory notes resulting from small and

medium businesses B.E. 2543, the undertaking of industrial businesses B.E. 2531 and the undertaking of animal husbandry for use as a revolving fund in restructuring as a special case for flood victims in southern Thailand in November 2000. The BOT will reduce the interest rate charged to financial institutions for promissory notes to 1 percent per annum. The rates charged by the commercial banks to their customers, in turn, will be MLR - 2.75 percent per annum. Non-bank financial institutions selling promissory notes are to charge their customers' the average MLR rate of the 4 commercial banks (i.e., Bangkok Bank Public Company, Ltd., Krung Thai Bank Public Company, Ltd., Thai Farmers Bank Public Company, Ltd., and The Siam Commercial Bank Public Company, Ltd.) minus 2.75 percent per annum.

Moreover, the BOT reduced the interest rate charged to financial institutions on the purchase of promissory notes issued from financing of SMEs from 3 percent per annum to 2 percent per annum for a period of one year. This programme shall not exceed one year.

(Circular dated 12 January 2001, effective from 12 January 2001)

2. Improvements of financial assistance to entrepreneurs in priority sectors

The BOT improved the terms of its financial assistance to entrepreneurs in priority sectors with emphasis on new entrepreneurs, for no longer than 3 years for each business in compliance with all regulations in effect (8 in total).

With respect to the BOT's regulations concerning the purchase of promissory notes resulting from the undertaking of agricultural production, storage of outputs and the rice merchant businesses, where previously no time limit is imposed, an extension of 3-year assistance for existing entrepreneurs had been announced from the date of this circular.

The BOT also improved its regulations concerning the purchase of promissory notes resulting from the undertaking of animal husbandry B.E. 2531 whereby interest rate collected from financial institutions is reduced to 3 percent per annum from 5 percent per annum. Furthermore, the BOT increased the proportion of its financing from 50 percent to 60 percent of the value of the promissory notes, effective from 14 August 2001.

(Circular dated 7 August 2001)

Real Estate Measures

On 3 April 2001, the Cabinet approved measures to promote the real estate sector as follows:

1. Tax deduction: buyers of land with building or of condominium or of land with a contract to construct a building on such land are now allowed full tax deduction for the down payment or payment for purchase, in addition to mortgage interest allowance, under the following conditions:

1.1 Transactions must be for the payment of purchase or installment payment within 1 year from the date of which the law was effective. The buyers will benefit as follows:

1.1.1 In the case of full-amount payment for land with building or condominium, full tax deduction can be allowed for up to B200,000. However, the money paid must not be acquired by loans. The amount of deduction will be halved into two consecutive years, starting from the tax year that the right of ownership was handed over.

1.1.2 In the case of installment payment for land with building or condominium, full tax deduction can be allowed for up to B100,000 starting from the tax year that the right of ownership was handed over.

1.2 Transfer of the right of ownership must be registered within one year from the date on which the law became effective.

1.3 In the case of land with building or condominium units, buyers who are entitled to a tax deduction must not own those properties within one year before the law became effective. The buyers also must own the properties for at least two years from the date of transfer.

1.4 The tax deduction stated above applies to only one purchase of property per income earner, regardless of his or her marital status.

This was effective from 4 September 2001.

2. Depreciation and initial allowance for permanent building purchase. Limited companies or partnership which purchased permanent buildings for their businesses, and bought or were handed over the right of ownership of the buildings within one year from the date on which the law was effective, will be allowed to deduct 20 percent of total cost as depreciation and initial allowance on the date of purchase. The rest, i.e., 80 percent, will be gradually deducted within 20 years as stated in the existing regulations.

This was effective from 6 September 2001.

3. The Government Housing Bank to provide credits equal to 100 percent of the appraised price for government and state enterprise officials, as they have steady income and purchasing power starting from 9 April 2001. Details of the conditions are as follows:

3.1 Borrowers must be government officials or permanent employees of government, state enterprises, the government's independent organizations or public organizations. The borrower's age must not exceed 55 years, and the borrowing period must not be longer than 30 years (For each contract, the sum of borrower's age and the borrowing period must not exceed 65 years).

3.2 Credit requests must be for following purposes:

3.2.1 To purchase land with buildings or condominium units.

3.2.2 To construct buildings or purchase land on which buildings will be constructed

3.2.3 To extend or renovate buildings

3.2.4 To redeem the pledge on land with buildings or condominium units.

3.3 Credits must not exceed 100 percent of the appraised price of the property or 100 percent of the sale price or construction cost, depending on which price is lower, as well as must be consistent with borrower's income and ability to repay the loans.

3.4 Loan interest rate calculation.

3.4.1 In the case where the installment payments are made by the borrowers themselves, long-term floating or fixed MRR will be applied.

3.4.2 In the case where the agency which is the employer of the borrower remits the installment payment on behalf of the borrower, long-term floating MRR - 1percent per annum will be applied.

On 7 November 2001, at the ministerial-level meeting chaired by the Prime Minister to resolve the problems of the real estate sector, the following measures were approved:

4. Housing loan scheme for members of the Government Pension Fund (GPF). This is a cooperation project between the Government Pension Fund and the Government Housing Bank (GHB) to assist government officials in purchasing their own homes. The GPF will deposit B5 billion with the GHB to be used as housing credits for government officials who are members of the GPF. Major criteria are as follows:

4.1 Borrowers must be members of the GPF.

4.2 Credit requests must be for the following purposes:

4.2.1 To purchase land with buildings or condominium units.

4.2.2 To construct buildings or purchase land on which buildings will be constructed.

4.2.3 To extend or renovate buildings.

4.3 Credits must not exceed 100 percent of the appraised price of the property or 100 percent of the sale price or construction cost, whichever price is lower. Credits must not exceed 65 times of net salary.

4.4 The borrowing period must not exceed 30 years, and the sum of the borrower's age and the borrowing period must not exceed 65 years or the retirement age, whichever is longer.

4.5 The borrowing rate equals 4.5 percent per annum in the first three years and 36-month fixed deposit rate + 0.75 percent per annum afterwards.

5. Additional real estate measures which the Cabinet approved on 11 December 2001 are as follows:

5.1 Government officials borrowing from the GPF to purchase, lease or construct houses will be entitled to personal income tax deduction equal to the actual loan interest payments to the GPF. Taken into account the interest payments for housing loans from other financial institutions, the deduction must not exceed B50,000.

5.2 Exemption of special business tax and stamp duties was granted to the GPF for interest revenue from lending money to government officials so as to purchase, lease or construct houses.

5.3 Exemption of VAT, special business tax and stamp duties on immovable property sales was granted to property funds.

5.4 The personal income tax deduction allowance was extended to cover more than 1 building purchase, lease, or construction. The deduction can be up to the full amount, but the sum of all housing loan interests must not exceed B50,000

5.5 Extension of tax exemptions and tax benefits that were previously due at end-2001 was granted. The benefits include:

5.5.1 Extending the period of tax exemption and registration fee reduction to 0.01 percent until the end of 2002 for mutual transfers of properties under debt restructuring and reorganization.

5.5.2 Extending the period of special business tax reduction (including local tax) for the transfers of immovable properties for commercial and profitable purposes from 3.3 percent to 0.11 percent until the end of 2002.

5.6 Additional registration fee reductions were made to continuously promote the recovery of the real estate sector as follows:

5.6.1 Reduce registration fee for immovable property mortgage from 1 percent to 0.01 percent for land, building or land with building.

5.6.2 Reduce registration fee for condominium unit mortgage from 1 percent to 0.01 percent for all units in condominium or a unit in condominium.

5.6.3 Reduce registration fee for office building transfers. The offices or land with office buildings that are untitled to the reduction must be authorized as stated by the building control law.

5.6.4 Extend the period of registration fee reduction for immovable property and condominium unit transfer from 31 December 2001 to 31 December 2002.

Agricultural Measures

1. Financial assistance to sugarcane farmers.

1.1 The Cabinet approved on 23 January 2001 financial assistance to sugarcane farmers for the crop year 2001/2002 with a budget of B10,000 million. Details are as follows:

1.1.1 The Bank for Agriculture and Agricultural Cooperatives (BAAC) is entrusted as the sole purchaser of the cheque discounting of the 46 sugarcane factories for the crop year 2001/2002 to promote sugarcane cultivation.

1.1.2 The BAAC must charge the rate for cheque discounting equivalent to the minimum retail rate. In the case that the BAAC receives the financial support from the BOT at a concessionary rate, the BAAC must correspondingly reduce the rate charged in discounting cheques in line with actual costs. This was effective from 1 January 2001 onwards.

1.1.3 In support of the sugarcane farmers for the crop year 2001/2002, the same policy framework as the crop year 2000/2001 shall be observed.

1.2 On 11 September 2001 the Cabinet Subsequently, approved the financial assistance to the sugarcane farmers in the crop year 2002/2003 as follows:

1.2.1 Approval of B10,000 million of which B5,000 million is financed by the BOT under the agreed refinancing rate of which the BOT has given assistance in the past. The remaining contribution amounting to B5,000 million is financed by the BAAC to purchase the discounted cheques from the sugarcane farmers in line with the criteria adapted in the last crop year.

1.2.2 Approval in principle for relevant agencies to implement measures to support sugarcane farmers on a regular basis every crop year.

1.3 On 25 December 2001, the Cabinet received reports on supporting measures for the sugarcane farmers through the White Sugar and Sugarcane Fund as detailed below:

1.3.1 The White Sugar and Sugarcane Fund will be used as a non-interest bearing loan to farmers in order to raise the price of sugarcane by B20 per ton (or totalling B1,043 million approximately) in the crop year 2001/ 2002 since the price of sugarcane farmers received is lower than the production cost.

1.3.2 Interest on lending made by the White Sugar and Sugarcane Fund for raising sugarcane preliminary price in the crop year 1998/1999 and 1999/ 2000 (amounting approximately to B427 million) could be paid to the BAAC in the crop year 2001/2002.

2. Government policy on debt suspension and debt burden relief programme for individual farmers through the BAAC.

On 20 March 2001, the Cabinet approved the programme of debt suspension and debt burden relief for individual farmers. Details are as follows:

2.1 Farmer eligible for the programme should have the following qualifications.

2.1.1 Be a member of the BAAC or agricultural cooperatives who are the BAAC's clients and use the direct credit service from the BAAC, or is responsible for other farmers' debt repayment as a guarantor or next of kin, before 1 April 2001. The farmer must apply to the programme by 30 June 2001.

2.1.2 Has never been prosecuted by the BAAC as a delinquent borrower.

2.1.3 Has outstanding loans with the BAAC not exceeding B100,000 (excluding the borrowing from the government sponsored programmes and loan interest)

2.2 The government will support and encourage the individual farmers under the debt suspension programme to save money in line with their abilities to do so as well as to rehabilitate their earning capabilities during the debt suspension.

2.3 Farmers will benefit as follows:

2.3.1 At the end of 3-year debt suspension period, farmers are subject to interest payment in the forth year at the initial rate before the debt suspension.

2.3.2 Farmers with a BAAC deposit of less than B50,000 will

receive additional deposit interest rate of 1 percent per annum from the normal rate for a period of 3 years.

2.3.3 Farmers' classification will be upgraded if full loan payments are made within 3 years prior to the due date according to the BAAC conditions.

2.4 The government will allocate budget to operate this programme including additional expenditure paid by the BAAC at the actual amount but not exceed B7,700 million.

2.5 For farmers whose borrowing exceeds B100,000 and are not eligible for this programme, the BAAC will speed up their debt restructuring plans.

3. Proposal to the WTO to extend the local content requirement applicable to milk producers.

On 15 May 2001, the Cabinet approved Thailand's proposal to WTO to extend the local content requirement applicable to milk producers. The original 5-year extension period was reduced to two 2-year extension periods ending in 2002-2003 to allow greater flexibility in the WTO negotiations.

In this regard, local content requirement applicable to milk producers is a major measure to protect Thai raw milk industries and milk cow farmers which currently experienced excess supply condition. Hence, to protect such industries and farmers, importers of skimmed milk, which is a raw material used in the production of instant milk, are required to buy domestic raw milk in a proportion of 20 parts domestic raw milk to one part of imported which is in breach of WTO's trade rules.

4. Strategic plan and policy for major agricultural product (cassava).

The Cabinet approved on 25 September 2001 the strategic plan for major agricultural product namely cassava. Details are as follows:

4.1 Production in the year 2002-2006: Maintain the planting area of 6.7 million rai, but increase the production from 17.6 million ton in 2002 to 20.8 million ton in 2006 by raising the yield per rai from 2.6 ton to 3.1 ton. In addition, the government has announced the cassava agricultural economic zone and farmer registration, including the support for research and development to attain higher starch content and yield.

4.2 Product processing measure:

4.2.1 Promote the production of processed flour in order to raise consumption in downstream industries by setting up the technology transfer project in producing processed flour and its uses for related industries.

4.2.2 Encourage research and development of modified starch to be used in downstream industries.

4.3 Marketing measure:

4.3.1 Support the increased use of chips for animal feeding by establishing projects to promote cassava for animal feeding and technology transfer to animal farmers to ensure the proper mixture of ingredients for feeding.

4.3.2 Promote the use of flour and processed flour in industries by arranging training and seminars on the characteristics and quality of cassava flour.

4.3.3 Promote the setting up of the centre of inspection and quality approval of high-quality cassava chips/pellets.

4.3.4 Expand the export market of cassava product by organizing seminars and exhibitions in target countries to promote the benefits of cassava products and industrial production of food industries and animal feeding. Moreover, bilateral and multi-bilateral negotiations are pursued to reduce trade barriers both tariff and non-tariff.

5. The natural rubber cooperation among Thailand, Indonesia, and Malaysia.

On 11 December 2001, the Cabinet approved in principle the cooperation among Thailand, Indonesia and Malaysia in order to solve the problems of low natural rubber prices. Details of the major measures are as follows:

5.1 Supply Management Scheme (SMS). Thailand, Indonesia and Malaysia aimed to lower the production by 4 percent per annum and review it biennially.

5.2 The level and target price scheme among these three countries. There will be a cooperation in setting a level of exports and stocks in proportion to the export volume when the price is lower than the target.

5.3 Agreed Export Tonnage Scheme (AETS). The three countries agreed to cut exports of each country by 10 percent of export volume as the stocks. In this regard, the government is required to support 1 percent soft loan to exporters to keep the stocks, including to provide warehouses and other expenses for exporters.

Subsequently, on 12 December 2001, a ministerial meeting among Thailand, Indonesia and Malaysia, took place in Bali, Indonesia, to consider the above measures. The resolution was for the three countries to comply with the above measures. The measures are to be effective from 1 January 2002 onwards.

6. The establishment of the Agricultural Commodity Exchange of Thailand

On 18 December 2001, the Cabinet approved the establishment of the Agricultural Commodity Exchange of Thailand as follow:

6.1 Approved the setting up of the Agricultural Commodity Exchange of Thailand with the financial assistance of B1,550 million for the period of 5 years. The Ministry of Commerce is required to draft a corporate plan to ensure the effective implementation and operation of the exchange.

6.2 For the fiscal year 2002/2003, the Ministry of Commerce is to disburse from the Farmer Aid Fund of B600 million. And if the existing regulations inhibit the use of the fund the relevant government agencies shall review the respective regulations to ensure that the budget allocation is feasible and in accordance with the objectives of the Agricultural Futures Trading Act B.E. 2542. From 2004 onwards, the budget will be set for the Agricultural Futures Trading Commission to support the implementation of expenditure budget for the following years.

Industrial Measures

1. Fixed assets of Small Enterprises (SEs) and maximum lending of the Small Industry Finance Corporation (SIFC).

On 31 July 2001, the Cabinet approved in principle the draft Ministerial Regulation amending the third Ministerial Regulation B.E. 2542 (1999) in line with the Small Industry Finance Corporate Act B.E. 2534 (1991). The aim was to expand the asset values of SEs to enable them to be eligible for borrowing from the SIFC. In this regard, the SIFC will raise the ceiling of loans to B200 million, up from the current ceiling of B100 million. In addition, the Cabinet endorsed the draft Ministerial Regulation of the Ministry of Industry and Ministry of Finance in which the loan ceiling provided by the SIFC either on its own, or in co-financing with other financial institution was raised to B100 million, up from the ceiling of B50 million.

The above measures will expand the scope of financial and technical assistance of the SIFC to SEs.

2. Preliminary depreciation deduction at special rate for SMEs entrepreneurs

The Cabinet approved to provide entrepreneurs of SMEs with preliminary depreciation deduction at special rate for some assets:

2.1 Computer and its equipment : To encourage the use of computer and its equipment, **SMEs are allowed depreciation deduction of such items** within 3 years, from the normal 5-year period. Moreover, where a straight line depreciation method is used, the depreciation in the first year can be booked at 60 percent and 20 percent in the following two years.

2.2 Plants : Depreciation deduction at 25 percent of asset value is permitted in the first year, and the rest will be deducted within 20 years as opposed to the original requirement of depreciation deduction over 20 years.

2.3 Machinery : This category was originally given a 5-year period. The new regulation allows depreciation deduction at 40 percent of asset value in the first year and the rest will be deducted within 5 years.

Eligible SMEs must have fixed assets (excluding land) of no more than B200 million and employ no more than 200 employees.

The measure is to be effective after the day of announcement in the Government Gazette.

3. Approval of a draft bill on the SMEs Development Bank of Thailand.

On 12 November 2001, the Cabinet approved in principle the draft bill on the SMEs Development Bank of Thailand with the following details:

3.1 To dissolve the Small Industry Finance Corporation (SIFC) and to establish the SMEs Development Bank of Thailand in the form of public company limited. The new bank will provide assistance to SMEs entrepreneurs as a one-stop service.

3.2 All businesses, assets, rights, liabilities, capitals and responsibilities of the SIFC will be transferred to the SMEs Development Bank of Thailand. Capital stock of the new bank is set at B10,000 million. As a start, the capitals of the SIFC will be transferred to the SMEs Development Bank of Thailand and the capitals can be subsequently raised by issuing common stocks or preferred stocks later.

In addition, the government is responsible for operating loss which may occur to the bank due to the implementation of the government policies.

Service Measures

1. Urgent measures on tourism to stimulate the economy

On 24 April 2001, the Cabinet approved the additional allocation of the 2001 budget to develop tourist sites, and to the Immigration Bureau and Royal Thai Police for improvement of the services at the airports. The government has targeted the tourism industry as one of the four proactive strategies for raising the country's foreign exchange earning. Tourism revenues are expected to grow by B50,000 million per year (approximately 1 percent of GDP). The core framework consists of 2 measures as follows:

1.1 Urgent measures in tourism development such as the prevention

and restoration of tourist sites from environmental degradation, the facilitation of the arrival of passengers, and the development of human resources in the service sector and tourism activities.

1.2 Urgent marketing measures such as public relations, advertising campaigns in order to stimulate both domestic and foreign tourists.

2. Approval of long-stay tourism promotion and development

On 26 June 2001, the Cabinet approved the proposal regarding the programme of promotion and development of long-stay tourism, and the establishment of the National Committee to support this programme, with the objective to seek the target groups and market needs. This also includes a setup of the framework for the development of services and facilities such as the establishment of one-stop service centre and the facilitation of the arrival of passengers, etc.

Later, on 11 and 25 December 2001, the Cabinet approved in principle the establishment of the Thai Longstay Management Corporation Limited to support the programme. The corporation will be in a form of joint-venture between the public and private sectors. However, the former cannot hold the shares exceeding 30 percent. The purpose of setting up the corporation is to be the prototype corporation in providing one-stop service to the long-stay tourists and related entrepreneurs. The corporation acts as a business consultant or manager for investors who own suitable real estates to be developed as long-stay tourism business. It also acts as a representative of the public and private sectors to promote the development of services quality to international standard. In addition, the corporation will attract the Thai and foreign investors who induce the long-stay tourists to Thailand in joint-venture.

With respect to research and development, design and regulations of the long-stay tourism control, the responsibility is under the Tourism Authority of Thailand and the Tourist Business and Guide Committee, with the advice of the Federation of Thai Industry and the related private organizations. Further details will be under the responsibility of the Tourism Authority of Thailand.

Labour Measures

1. Increasing the minimum wage rate

The Wage Committee approved a rise in the basic minimum wage rate and the minimum wages for all provinces throughout the country, effective from 1 January 2001. Details are as follows.

1.1 The basic minimum wage was raised from B130 per day to B133 per day.

1.2 The minimum wages in all provinces were raised by B3 : hence the minimum wage in Bangkok, Samut Prakan, Samut Sakhon, Nakhon Pathom, Nonthaburi, Pathum Thani and Phuket was up from B162 per day to B165 per day; that in Chon Buri, Saraburi, Phangnga, Ranong, Chiang Mai and Nakhon Ratchasima was up from B140 per day to B143 per day; and that in the remaining 63 provinces was up from B130 per day to B133 per day.

2. Measures to resolve illegal alien workers problems.

The Cabinet approved on 3 April 2001 the permission for illegal alien workers who held the nationality of Burmese, Laotian and Cambodian totalling 106,684 persons to continue their works in 18 businesses in 37 provinces until 31 August 2001.

On 28 August 2001, the Cabinet endorsed the Ministry of Labour and Social Welfare to enforce illegal alien workers working in Thailand to report, register and obtain their work permits (for 6-month period) between 24 September 2001 to 13 October 2001. When these work permits expire, all alien workers must undergo health check-ups as required by the Ministry of Public Health before renewing their work permits for another six months. If they do not meet the health inspection, they will be deported.

Failure to obtain work permit during the specified time period as required by the Ministry of Labour and Social Welfare, employers, alien workers, and related parties will be earnestly prosecuted under the Alien Employment Act B.E. 2521.

3. Measure to prevent and alleviate unemployment problems.

On 26 June 2001, the Cabinet approved the allocation of the contingent budget of B58,000 million for stimulating the economy, under the FY 2002 Budget.

Table 2 : Examples of the Projects to Prevent and Alleviate Unemployment Problems under the Contingent Budget of B58,000 million for FY 2002

Projects	Budget (Million Baht)
Enhancing efficiency and management of village funds.	5,077.12
Capacity building for small-scale farmers joining the 3-year debt suspension programme.	1,790.62
Training for workers joining the labour force.	289.37
Training for new entrepreneurs.	175.00
Capacity building for new SMEs entrepreneurs.	69.38
Job creation and promotion for evacuated workers from overseas	46.31

This allocation aimed at both boosting the economy in the short run, and creating jobs hence providing job opportunities for the unemployed as well as raising labour productivity in the long run.

4. Extension of the social security scheme to cover enterprises with at least one employee.

On 20 November 2001, the Cabinet approved the extension of the social security coverage to enterprises with at least one employee which have registered for commercial purposes. This will, however, not cover employees whose work does not involve employers in commercial operation and street vendors. This measure is effective from 1 April 2002.

International Trade Measures

A. Export Measures

1. Measures to expedite rice exports in 2002

The Cabinet approved on 18 September 2001 the measures to expedite the export of rice in 2002 as follows:

1.1 Promote Government-to-Government exports in various ways such as,

1.1.1 Allow credit sales for countries that wish to purchase by credit, for example, Indonesia, the Philippines and Iran.

1.1.2 Implement a Counter Trade system with the Philippines, Indonesia, Austria and other feasible countries.

1.1.3 Implement an Account Trade system with Malaysia (in process).

1.2 Promote government-to- private sector exports of rice by way of inviting Thai exporters and foreign importers to purchase rice from the government's stock at the predetermined quantity and price, through the Public Warehouse Organization and the Market Organization for Farmers. Purchases under this promotion must be for exports only.

1.3 Develop trade alliances between Thailand and other major rice exporting countries.

1.4 Promote the exports of high quality rice in accordance with the Rice Standard 1997 and Thai Hom-Mali Rice Standards, which is to be amended.

2. Resolve problems in the public sector in order to enhance Thailand's export competitiveness

The Cabinet approved on 29 May 2001 resolutions to problems in the public sector in order to enhance export competitiveness as follows:

2.1 Export credit. Commercial banks will grant credits for exporters based on their ability to export starting from their business plan proposals which will induce purchase orders. Banks will then approve the payment of the total credit amount after exporters have provided their purchasing documents, for example, purchase orders, contracts or L/Cs. In this connection, the Export-Import Bank of Thailand and Bangkok Metropolitan Bank will provide special assistance.

2.2 To resolve the delay in value added tax (VAT) refund, the Revenue Department must carry out the following measures:

2.2.1 Provide VAT exemption for domestic raw material used to produce exported goods, along the same line as VAT exemption for imported raw material used to produce goods for export.

2.2.2 Allow exporters to use letters of guarantee to pay for the VAT.

2.2.3 Consider developing a VAT payment system through the accounting system rather than a cash payment system or establishing a fund used to pay VAT for exporters, where the Revenue Department will refund exporters' VAT directly to the fund.

2.3 Modify the tax structure for imported raw material in order to enhance competitiveness. The tax rate for imported raw material used to produce goods for export should not be higher than those of competitors.

2.4 Export services. Instruct agencies in charge of issuing export licenses to those in need of urgent delivery to remain open for 24 hours, every day, including holidays. And instruct other agencies in charge of issuing export licenses to adopt a quick and clear approval process.

The Ministry of Commerce updated the Cabinet on 28 August 2001 on resolutions to enhance export competitiveness as follows:

2.4.1 To resolve the problem of high production cost in the electrical appliances and electronics products and other industries, attempts were made to speed up VAT refunds to be within 30 days, and if the refund is not on schedule exporters may file a complaint. Furthermore, improvements were made on the entire tariff system, by adjusting the rate of tariff levied on approximately 5,800 items within 30 days, starting from August. These measures were designed to solve the problem of higher import taxes on raw materials than on finished goods

or higher import taxes than those of the competitors on raw materials which are used in producing unsophisticated products and which will not affect other industries. Furthermore, effects of the adjustments in the tariff structure must be monitored and evaluated in order to ensure that these adjustments will enhance long-run competitiveness of these industries in the world market.

2.4.2 To resolve the issue of cheap and non-standard dumping of electrical appliances in the domestic market, the Thai Industrial Standards Institute must urgently set a standard for all imported electrical appliances, including measures, quality control procedures, standards and tests to ensure that the product meets other requirements. However, these measures must not inhibit the country's exports. Moreover, personnel and instruments used in examining these products must be inspected, and if found insufficient, additional funds could be requested.

3. Measures to enhance the exports of gems and jewellery

The Cabinet approved on 2 October 2001 the endorsement of the Budget Bureau to set aside B41.1 million from the budget in fiscal year 2002 as general subsidies for the National Research and Development Institute of Jewellery and Accessories to enhance Thailand's capability of exporting gems and jewellery, comprising:

3.1 Work plan to improve raw material and quality control of B10 million.

3.2 Work plan to develop technology, human resources and design, and marketing of gems and jewellery of B7.1 million.

3.3 Work plan to improve and expand the gems and jewellery market of B10.7 million.

3.4 Funding for the Institute's management of B13.3 million.

4. Anti-dumping and countervailing imported products

The Cabinet approved on 20 November 2001 the two drafts Ministerial Regulation to amend Ministerial Regulation Volume 2 (B.E. 2543) and Volume 5 (B.E. 2543) in line with the Anti-dumping and Countervailing Act B.E. 2542 to ensure coverage and compliance with standards under the World Trade Organization as follows:

4.1 Amend and improve factors and economic indices used in examining the effect of anti-dumping on domestic industries.

4.2 Amend and improve the floor limit of the dumping margin, benefits from subsidies, amount of dumping-products that were imported and amount of subsidized products that were imported.

B. Import Measures

1. Quota setting for the imports of soybeans in 2001

The Cabinet approved on 6 February 2001 a quota for the imports of soybeans during 2001 with tariff quota rate of 0 percent under the obligations of the World Trade Organization. The quota of soybeans was originally set at 1.2 million tons. However, on 18 September 2001, the Cabinet approved additional quota of 0.3 million tons, totalling 1.5 million tons, due to the fact that domestic production was unable to meet the needs of local consumers, on the condition that importers must also purchase soybeans from Thai farmers. Furthermore, the Department of Foreign Trade, Department of Internal Trade and Office of Agricultural Economics must consider the allocation of soybeans to qualified importers.

2. Liberalization of the import market for onion seeds

The Cabinet approved on 3 July 2001 the liberalization of an import market for onion seeds for 2001 under the tariff quota of 6,283 tons, with inside quota tariff rate of 0 percent. The Onion Growers Cooperative of Thailand is the sole importer of onion seeds so as to provide farmers sufficient onion seeds to cultivate and reduce production cost. The tariff for those outside the tariff quota would be in accordance with the World Trade Organization obligation.

3. Liberalization of the import market for skimmed powdered milk, raw milk and UHT drinking milk under World Trade Organization obligations

The Cabinet approved on 24 April 2001 the liberalization of the import market for skimmed powdered milk, raw milk and UHT drinking milk under World Trade Organization obligations for 2001 as follows.

Table 3 : Liberalization of the Import Market for various types of Powdered Milk Under the WTO Obligations

Products	Inside Tariff Quota		Outside Tariff Quota
	Volume (tons)	Tariff rate (%)	Tariff rate (%)
Skimmed powdered milk	55,000	5	233.2
Raw milk	2,335.16	20	42.5
UHT drinking milk	26.84	20	86.7

In this connection, the Cabinet agreed that appropriate measures and good governance should be set in order to ensure that the production and sales of raw milk and domestic entrepreneurs in the industry will not be effected. Furthermore,

labels must indicate ingredients of production to protect consumers in the case where whey is used in the production.

Subsequently, on 18 December 2001, the Cabinet approved further liberalization of the import market for skimmed powdered milk of 10,000 tons.

4. Measures to control imports of animal feeds

On 2 October 2001, the Cabinet approved in principle the draft to Ministerial Regulation Volume ... (B.E. ...) in line with the Feed Quality Control Act (B.E. 2525) which stipulated underlying conditions for the imports of animal feeds. This is aimed to prevent outbreaks in animals, contagion from animal to human or poison contamination which may affect the animal rearing, domestic meat consumption and meat export. Importers are required to provide relevant documents, such as, letter of guarantee, details of the product and other documents as required. These measures were designed to protect consumers in line with the Sanitary and Phytosanitary Agreement under the World Trade Organization.

5. Measures to control imports of salbutamol

On 9 October 2001, the Cabinet approved in principle the draft to Ministerial Announcement proposed by the Ministry of Commerce on the import of salbutamol into the Kingdom in 2001. The imports of salbutamol require permission from the Ministry of Commerce with the condition that the imports must be accompanied with a letter of guarantee from the Food and Drug Administration. This precaution was established due to the fact that salbutamol has the characteristic of expanding the windpipe and helps mollify asthma conditions. However, this substance was found mixed in with feedstuff for pigs, which was used to reduce fat and increase the red meat portion of pigs, hence, endangering consumers and affecting the export of pork.

C. Balance of Payments Measures

Bilateral Swap Arrangement : Thailand - People's Republic of China

On 30 October 2001, the Cabinet approved in principle the Bilateral Swap Arrangement (BSA) between Thailand and People's Republic of China. The BSA's main objective is to provide a cushion against balance of payments and short-term liquidity difficulties. In this process, the Governor of the Bank of Thailand or a representative was assigned to sign the Arrangement on behalf of Thailand, while the Minister of Finance or a representative was assigned to guarantee loans under the Arrangement. Furthermore, the Office of the Council of State will provide legal opinion in connection with the Arrangement. The main principles of the Arrangement are as follows:

1. Thailand can borrow from the People's Republic of China, and not vice versa in US dollar against Baht terms, which is to be arranged by the Bank of Thailand and the People's Bank of China.

2. Thailand is subject to a credit limit of US\$2 billion.

3. The period of a swap is 90 days; and swap can be renewed up to 7 times (within a maximum of 2 years). However, disbursements and renewals cannot be made if the contract expires before repayments. The length of the contract is 3 years.

4. The interest rate is LIBOR plus a premium of 150 basis points for the initial disbursement and its first renewal. Thereafter, the premium will increase by additional 50 basis points for every two renewals, provided that such premium will not exceed 300 basis points.

5. The financial assistance under BSA can be disbursed when a borrowing country has entered the IMF programmes or will enter in the very near future. Nonetheless, up to 10percent of the Maximum Amount of Drawing under the agreement could be provided up to 180 days without entering the IMF programmes.

6. The Ministry of Finance of Thailand will guarantee loans made by the Bank of Thailand under the aforementioned arrangement.

Price Measures

1. Cement price adjustment

The Ministry of Commerce approved increases in cement price of Siam Cement Co., Ltd., effective from 1 January 2001. Details are as follows:

1.1 Mixed cement at factory price is raised from B1,878 to B1,958, an increase of B80 per ton.

1.2 Portland cement at factory price is raised from B2,174 to B2,294, an increase of B120 per ton.

2. Water price adjustment

Provincial Waterworks Authority reduced water price for state enterprises, industries and large businesses countrywide, except in Bangkok, Samut Prakan, Nonthaburi and Chon Buri, from the previous progressive rate of between 1 Satang to 2.175 Satang per litre to 1 Satang to 1.950 Satang per litre, effective from January 2001.

3. Electricity price adjustment

The sub-committee on Electricity Price Restructuring adjusted the electricity price (Ft price) every 4 months, in line with the increasing cost of fuel. In 2001, there were 3 adjustments as follows:

Table 4 : Fuel-adjustment Electricity Tariff (Ft) in 2001	
	Growth rate* (%)
February	+11.0
June	+1.0
October	-2.0

Note : * adjusted upward/downwards from the previous adjustment

4. Cooking gas price adjustment

The National Energy Policy Board approved the adjustment in the wholesale and retail cooking gas prices. In 2001, there were 3 adjustments as follows:

Table 5 : Wholesale and Retail Cooking Gas Price Adjustment in 2001		
	Growth rate* (%)	
	Wholesale price	Retail price
May	+12.0	+8.5
July	+11.8	+8.6
November	+10.5	Semi-floated price system was applied. Retail price control was suspended for 1 year.

Note : * adjusted upward/downwards from the previous adjustment

Measures for Capital Market

1. Broadening the variety of instruments

The Office of the Securities and Exchange Commission (SEC) granted permission for mutual fund management companies to purchase options on securities issued by the Stock Exchange of Thailand or listed companies. However,

this must not exceed 10 percent of net asset value of the mutual fund, effective from 16 February 2001.

2. Amendment to criteria for the Provident Fund

The SEC allowed members of the Provident Fund to select more variety of investment policies as well as change their choices at least once a year. In addition, the Provident Fund can invest in securities in line with those of mutual funds, as well as invests in new instruments and innovations such as index option, effective from 30 March 2001.

3. Criteria and conditions for establishing Retirement Mutual Fund (RMF)

The SEC set criteria for establishing RMF as a type of mutual fund with the following:

3.1 RMF unitholders must invest periodically at least once a year.

3.2 RMF unitholders are able to redeem their investments at the age of 55. Moreover, tax privilege will be given to individuals who invest in RMF for at least 5 years. There will be no dividends or proceeds paid from RMF during investment.

3.3 Investment in RMF including all mutual funds must be at least 3 percent of individual earning in each fiscal year. In addition, individuals must not drop on investment in each mutual fund for more than 1 year.

3.4 RMF unitholders are prohibited from neither selling nor pledging their RMF units or putting them as collateral.

3.5 RMF unitholders will be able to make their own choices on investment policies.

To be effective from 1 April 2001.

4. Investment guidelines for mutual funds and Provident Fund

The SEC added more investment alternatives to include bonds or securities issued, availed or guaranteed by the Ministry of Finance. Calculation of the investment ratio will not include Treasury Bills, bonds, or securities issued, availed or guaranteed by the government, the Bank of Thailand, or the FIDF, effective from 1 June 2001.

5. Scope of business expansion of management companies.

The SEC allowed mutual fund management companies and newly established limited or public limited companies set up with purpose of providing

private fund management services to be able to conduct more variety of businesses as follows:

5.1 Computer sales agents or recommend other vendors or internet service providers to mutual fund unitholders or private fund/provident fund clients. However, such services must be related only to mutual fund management or private fund/provident fund management businesses.

5.2 Sales representatives of other mutual fund management companies.

To be effective from 2 April 2001.

6. Prescription of investment ratio or holding of securities of other businesses as assets of mutual funds

The SEC permitted management companies to invest or hold securities of other businesses as assets of mutual funds, in a ratio not exceeding 25 percent of the total shares sold by the companies at any time. This excluded the transfer of debt repayment. To be effective from 16 May 2001.

On 28 November 2001, the SEC further announced the inclusion of the Foreign Investment Fund (FIF) (i.e., domestic mutual funds set up to invest abroad) into the above ratio prescribed. To be effective from 1 December 2001.

7. The purchase and sale of Non-Voting Depository Receipts (NVDR)

The Stock Exchange of Thailand (SET) allowed the purchase and sale of NVDR and accepted the NVDR as a registered asset in sales, effective from 1 April 2001 onwards.

8. Tax privileges to NVDR

The Cabinet agreed on 10 April 2001 to grant tax privileges in the case of NVDR as follows:

8.1 An exemption on corporate income tax for dividends and capital gains from the sale of securities.

8.2 A reduction in the withholding tax from 15 percent to 10 percent for dividends paid to both individual and corporate entities set up by foreign law and who are not resident in Thailand.

8.3 As for income earners residing in Thailand who receive dividends taxed at source at the rate of 10 percent will be exempt from including dividend payments as income for income tax purposes.

9. Measures to reduce the rate of corporate income tax for registered companies

The Cabinet passed a resolution on 22 May 2001 approving measures to support the capital market as follows:

9.1 In the case where a company was registered before 6 September 2001, corporate income tax rate shall be reduced from 30 percent to 25 percent for net profits not exceeding B300 million for 5 accounting periods.

9.2 In the case of a newly registered company on the SET, the tax rate shall be reduced from 30 percent to 25 percent for 5 accounting periods.

9.3 In the case of companies listed in the Market for Alternative Investment (MAI), the tax rate shall be reduced from 30 percent to 20 percent for 5 accounting periods.

10. Changing the fee structure of the SET

The SET reduced its annual fee by 50 percent on average and reduced its listing fee by 67 percent, effective from the listing period starting from 1 July 2001. The first 10 companies entering the SET in 2001 would be exempt from listing fee and receive a reduced rate of annual fee by further 50 percent, effective from 1 July 2001.

11. Revision on criteria, conditions and procedures for establishment and operation of Foreign Investment Fund (FIF)

Important points in the revision on criteria, conditions, and procedures for establishment and management of FIF are as follows:

11.1 FIF is not required to exclusively hold the following assets: bonds, securities, semi-debt-equity instruments, or warrants.

11.2 FIF is not required to hold assets according to SEC criteria and may ask for SEC permission to be registered as an open-ended or close-ended fund.

11.3 Once successfully registered as FIF, the fund must apply for listing on the SET within 15 days.

11.4 Investment in overseas securities must be in stock exchanges that are members of the International Organization of Securities Commissions (IOSCO) within the proportion permitted by the SEC.

To be effective from 16 October 2001.

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THE BANK OF THAILAND'S ACTIVITIES

Reserve Management Performance and Note Printing

A. Reserve Management Performance

1. Management and operations

During the year 2001, the Bank of Thailand (BOT) has managed international reserves based on the principle of soundness and safety of the invested assets, and liquidity management that support and align with the foreign exchange policy and debt-servicing management so as to achieve a return that is within the investment guidelines and risk framework set and approved by the Investment Committee on a monthly basis. Beginning July 2001, investment guidelines and risk framework have to be approved by the Monetary Policy Committee on a quarterly basis while Investment Committee was replaced by Investment Sub-Committee to review and monitor all investment activities on a monthly basis.

In order to maximize returns on investment within the framework of acceptable risk and liquidity, the Reserve Management Division has to closely monitor economic and financial market developments in order to assist the analyses of the foreign exchange, and short and long term interest rates trend that affect the exchange rates and the prices of the invested government and other fixed income securities.

Some important portfolios that are under the Reserve Management Division are Liquidity portfolio, Investment portfolios and other Liabilities portfolios. During the year, there were repayments of the principals to the International Monetary Fund (IMF) and other central banks under the 1997 IMF package for the amount of US\$3.1 billion or about 27 percent of the total outstanding IMF loans as well as the sell-back of Yen724.03 billion to the Bank for Agriculture and Agricultural Cooperatives, etc.

2. Development

2.1 In respond to changing economic environment and to expand investment boundaries, the BOT has developed and improved portfolio benchmarks from time to time. During the year 2001, adjustment was made to the benchmark for SDR portfolio. In addition, modification to the guidelines for fund deposits was implemented.

2.2 From the year 2001 onwards, the BOT has adopted a fully-tested Deal Capture System according to the Dealing Room Systems (DRS) Development Project in order to enhance the efficiency of reserve management and risk control under rapid changing technological developments. The BOT has set up installation

and customization plan for the DRS. Furthermore, the BOT has also started rebuilding the new dealing room that integrates reserve management function and the monetary operations function which will enhance better flow of information and efficiency.

B. Banknote Issue and Management

At end - December 2001, total volume and value of issued notes were 2,368.3 million notes and B495,001.3 million, respectively, a slight increase of 1.6 and 7.3 percent, respectively, from last year. The volume breakdown of the issued notes is shown below.

In 2001, BOT launched the new series of B500 banknote, which was announced in the Government Gazette on 24 July 2001 and put into circulation on 1 August 2001.

In 2001, counterfeits that had been detected all over the country amounted to 8,824 notes and 30 sheets (1 sheet contains 3 notes), dropping approximately by 50 percent compared to the previous year. The three-most-found forgeries were B500, B100, and B1000 (4,633 notes and 30 sheets, 3,187 notes and 910 notes, respectively) accounted for 99 percent of the total detected counterfeits.

Table 1: Banknote Issue in 2001

Denominations	Number of notes
500000 Baht	235
1000 Baht	298.5 million
500 Baht	239.2 million
100 Baht	526.0 million
50 Baht	137.9 million
20 Baht	658.0 million
10 Baht	351.7 million
5 Baht	24.5 million
1 Baht	106.6 million
50 Satang	18.9 million
BOT Note 60 Baht	7.0 million

C. Currency Reserve

As of end-2001, value of total assets of Currency Reserve stood at B495,001.3 million, equivalent to value of issued notes, up by 7.3 percent from the previous year-end. The assets of the Currency Reserve were comprised of:

Table 2 : Currency Reserve Account As of 31 December 2001

	Amount (Million Baht)	Share (percent)
Gold	27,529.0	5.6
Foreign Currencies	74,953.0	15.1
Foreign Securities	331,431.8	67.0
Thai Government Securities	61,087.5	12.3
Total	495,001.3	100.0

D. Note Printing Works

1. Production and delivery

Note Printing Works produced 1,776.78 million notes, and delivered the amount of 1,768.36 million notes to the Note Issue Group.

2. Other security printings

2.1 Revenue stamp

Note Printing Works totally produced 42 million revenue stamps of B1, B5, and B20, and delivered the amount of 40 million stamps to the Revenue Department, Ministry of Finance as originally ordered. The BOT then approved for the delivery of the remaining 2 million stamps to the Revenue Department. The total sales was B4,620,000.

2.2 Bank of Thailand cheque

The BOT cheques produced and delivered in 2001 amounted to 40,000 books (1 million cheques), as ordered. The total sales was B960,000.

3. Ink production

Note Printing Works produced 204.19 tons of ink, which can be classified as follows:

1. Ink for banknote 203.7 tons.
2. Ink for revenue stamp 0.49 tons.

4. The Enterprise Resource Planning (ERP) project

Note Printing Works undertook the Enterprise Resource Planning (ERP) project with an objective to increase the efficiency of managing the accounting, capital budgeting, purchasing, inventory, and production. As part of this project, Note Printing Works is to make use of new technology from ERP software, and needs to adopt the cost management system most suitable for its operation. With ERP, Note Printing Works aims to improve its working standard up to an international level. Note Printing Works has completed Phase 1, with the chosen SAP software and associated hardware being installed in April 2001. Currently, Note Printing Works is in the course of the next phase looking for a consulting firm for the implementation task.

5. XV Pacific Rim Banknote Printers' Conference

Note Printing Works hosted the XV Pacific Rim Banknote Printers' Conference, held in Bangkok and Phuket during 11-17 November 2001. There were 64 delegates from 19 countries participated in the conference. Note Printing

Works successfully presented its papers on 12 and 13 November 2001 and warmly welcomed the delegates at the NPW department on 14 November 2001. Note Printing Works was recognized among the participants as one of the world-leading note printing works.

6. Note Printing Works re-engineering project

The re-engineering project was initiated with a goal to improve the efficiency, effectiveness, quality, and capability of Note Printing Works' operation. The project is also expected to increase the level of satisfaction of both internal and external customers of Note Printing Works. The duration of this project is seven months, starting from 1 October 2001 to 30 April 2002. The project is currently in the stage of conceptually designing the working process of the note printing works.

Banking Business

A. Cash Management

1. Cash Pay In and Pay Out

In 2001, the BOT (including head office, Surawongse office, and regional offices) received cash from provincial treasuries, commercial banks, financial institutions, government agencies, and others totalling B1,149,968.8 million, an increase of B8,732.5 million or 0.77 percent compared with B1,141,236.3 million in the previous year. Cash pay out, on the other hand, totalled B1,185,852 million, an increase of B158,601.3 million or 15.44 percent compared with B1,027,250.7 million in the previous year. In sum, net cash pay out of B35,883.2 million was recorded.

2. Cash position

In 2001, the BOT transferred assets to the Currency Reserve Account totalling B140,310.2 million in order to increase note in circulation, and withdrew assets from the Currency Reserve Account totalling B106,685.8 million to reduce note in circulation. Overall, transferred assets was higher than withdrawn assets by B33,624.4 million, resulting in an increase of assets of Currency Reserve from B461,376.9 million in 2000 to B495,001.3 million in 2001.

At the end of December 2001, cash balance deposited with the Note Issue Group stood at B4,761.3 million, comprising

Note deposited with the Note Issue Group	B4,758.5 million
Coins deposited with the Currency Division	B2.8 million
Coins deposited with the Currency Division, Surawongse office	B0.0 million

Coins of all denominations deposited with the Ministry of Finance, as of 31 December 2001 registered a zero balance.

B. Centre of Funds Transfer

In 2001, the BOT carried out funds transfer totalling B4,220,974.7 million, consisting of funds transfer from provincial area to Bangkok of B2,428,289.6 million and funds transfer from Bangkok to provincial area of B1,792,685.1 million, resulting in net funds transfer to Bangkok of B635,604.5 million.

Part of this funds transfer includes funds transfer via the BAHTNET system between head offices of commercial banks and their branches located in the provinces where the regional offices of the BOT are established totalling B1,359,633.1 million. Of this amount, B839,162 million was funds transfer to Bangkok and B520,471.1 million was funds transfer to provinces, resulting in net funds transfer to Bangkok of B318,690.9 million.

As for transfer of the BOT deposits at provincial treasuries, funds transfer to Bangkok amounted to B481,560 million whereas funds transfer to provinces totalled B185,190 million, resulting in net funds transfer to Bangkok of B296,370 million.

1. Interbank funds transfer

1.1 Large value funds transfer (BAHTNET)

The BOT has developed the BAHTNET (Bank of Thailand Automated High-value Transfer Network) system, which has been in operation since 24 May 1995, to offer high value fund transferred service to all members. Due to the continuous development to improve the efficiency of the BAHTNET system, the BOT has already implemented the country's new payment system called "BAHTNET/2" on 11 December 2001. The new enhancement Real Time Gross Settlement (RTGS) BAHTNET/2 system is capable of facilitating the government securities trading through Delivery Versus Payment (DVP) basis. This improvement is very crucial in reducing risks and also increasing the efficiency of the payment system at the same time.

As of 31 December 2001, there were 69 institutional members in the BAHTNET system, which comprised of 13 Thai commercial banks, 18 branches of foreign commercial banks, 12 finance companies/finance & securities companies and securities companies, 6 Specialized Financial Institutions, 6 different BOT divisions, 2 government agencies and 12 other members.

The number of total funds transfer through the BAHTNET system in 2001 was 746,775 transactions and in value of B68.47 trillion, increased by 16.18

percent and 10.64 percent from that of previous year, respectively. The aforementioned total funds transfer can be classified as follows:

- 193,026 transactions or in value of B40.79 trillion for interbank funds transfer.
- 552,590 transactions or in value of B27.64 trillion for third party funds transfer.
- 1,159 transactions or in value of B0.03 trillion for DVP government securities trading.
- 2 transactions with total face amount of B110 million for deliver free and receive free of government securities trading.

Currently there are 12 commercial banks that transfer fund between their own accounts at the BOT's head office in Bangkok and at the BOT's regional offices through the BAHTNET system. The total volume in 2001 was 7,583 transactions with the total value of B1.36 trillion.

1.2 Retail funds transfer (Media Clearing System)

The electronic retail funds transfer (Media Clearing) transactions in 2001 totalled 5,785,127 transactions, amounted to B184,529 million, or increased by 53.1 percent from last year. This resulted from its low transaction fee when compared with other retail payment methods, also financial institutions which provide cash management service utilized Media Clearing for their customers' payments.

**Table 3 : Value of Retail Funds Transfer
Classified by Sending Institutions**
(Unit : Billion Baht)

Year	Foreign Banks	Thai Commercial Banks			Total
		Large	Med & Small	Subtotal	
1999	70.9	2.9	7.5	10.4	81.3
Δ%	31.8	-41.8	7,559.9	104.6	38.1
2000	106.2	7.3	7.0	14.3	120.5
Δ%	49.9	150.9	-7.1	37.0	48.2
2001	161.0	12.7	10.8	23.5	184.5
Δ%	51.6	74.0	54.3	64.3	53.1

Note : Δ% represents the percentage change from the same period of the previous year

Source : Bank of Thailand

In 2001, the BOT applied to be a member of the Media Clearing System and sent its employees' salary payment via the system since November 2001. Moreover, the Sakura Bank and the Sumitomo Bank had been merged to be Sumitomo Mitsui Banking Corporation. As a result, at the end of 2001, there were totally 28 members which comprised of the BOT, 13 Thai commercial banks, 12 foreign commercial banks, and 2 specialized banks which are Government Savings Bank and Government Housing Bank.

Furthermore, for the improvement in Media Clearing efficiency during the end of 2000, the funds transfer data can be sent/received via On-line File Transfer through Web Technology as another option for member banks instead of using electronic media. Consequently, member banks can send/receive funds transfer data faster and easier which leads to an extension in sending funds transfer data from 2-7 days prior to the effective date, previously required, to 1-7 working days.

2. Interbank cheque clearing in Bangkok metropolitan and its vicinity

In 2001, the number of member banks of the Electronic Cheque Clearing House (ECH) is 36; decreased from 38 member banks in 2000. The Export - Import Bank of Thailand (EXIM Bank) applied to be member of the ECH on 3 January 2001. Moreover, Dresdner Bank AG resigned from the ECH's member bank on 16 June 2001. The Sumitomo Bank merged with Sagura Bank on 1 April 2001 and changed the name to Sumitomo Mitsui Banking Corporation. Furthermore,

Table 4 : Volume and value of cheques cleared, returned cheques, and returned cheques with insufficient funds in Bangkok Metropolitan and its vicinity

	Volume (items)			Value (Million Baht)		
	2000	2001	Δ%	2000	2001	Δ%
Clearing cheques	53,312,764	55,186,305	3.51	25,436,097.04	15,180,889.89	-40.32
Clearing cheques amount per item				0.48	0.28	-42.34
Returned cheques	1,365,591 (2.56)	1,386,418 (2.51)	1.53	135,130.11 (0.53)	136,934.11 (0.90)	1.34
Returned cheques with insufficient fund for 3 reasons ^{1/}	790,901 (1.48)	829,467 (1.50)	4.88	65,704.71 (0.26)	66,864.55 (0.44)	1.77

Notes : 1/ Reasons of : 1. "Insufficient funds" ; 2. "Refer to drawer" ; 3. "No arrangement with the bank"
The values in parentheses are proportion to cheques cleared.
Δ% represents the percentage change from the same period of the previous year.

the Industrial Bank of Japan merged with the Dai-ichi Kangyo Bank on 10 August 2001 and changed the name to the Dai-ichi Kangyo Bank, Ltd.

The member bank branches of ECH are 1,891, an increase of 79 branches from 2000. The farthest branches are as the following; in the North: Rojana branch in Phra Nakhon Si Ayutthaya (95 kms. from the ECH), in the East: Bang Pakong branch in Chachoengsao (75 kms. from the ECH), in the West: Damnoen Saduak branch in Ratchaburi (75 kms. from the ECH), and in the South: Samut Sakhon branch in Samut Sakhon (75 kms. from the ECH).

The total volume and value of out-clearing cheques in 2001 were 55.19 million items and B15,180.89 billion, respectively. Compared to 2000, the out-clearing cheque volume increased by 3.51 percent while the value decreased by 40.32 percent. The significant decline in value in 2001 was due to the high value of interbank transaction by cheques during early 2000, prior to the BOT's implementation of the BAHTNET system on 10 March 2000. Consequently, the total value of out-clearing cheques in 2000 was B10,899.66 billion higher than that of 2001. The average value of out-clearing cheques per item was B0.28 million in 2001.

Total returned cheques in Bangkok Metropolitan and its vicinity in 2001 was 1.39 million items, valued B136.93 billion which were equivalent to 2.51 percent and 0.90 percent of the total volume and the value of out-clearing cheques, respectively. The volume and value of returned cheques increased from 2000 by 1.53 percent and 1.34 percent, respectively.

The number of returned cheques for the reasons of; 1. "Insufficient funds"; 2. "Refer to drawer"; 3. "No arrangement with the bank" totalled 0.83 million items, valued B66.86 billion, increased from 2000 by 4.88 percent and 1.77 percent, respectively. The proportions of returned cheques to out-clearing cheques in 2001 were 1.50 percent and 0.44 percent in volume and value, respectively.

From the whole year's cheques clearing statistics, it implies the overall interbank cheques clearing in Bangkok Metropolitan and its vicinity in 2001 that the volume of cheques increases while the value decreases. The returned cheques and returned cheques with insufficient funds in volume and value increase when compares with the figures in 2000.

3. Clearing settlement through the BAHTNET system

Interbank clearing settlement through BAHTNET via Multilateral Funds Transfer at the Electronic Cheque Clearing House in 2001 has the total value of B2,452.46 billion, increased by 0.78 percent from 2000. This clearing settlement can be separated into 7 rounds according to the following table;

Table 5 : Clearing settlement through the BAHTNET system*(Unit : Million Baht)*

Clearing round	2000	2001	Δ%
Electronic cheque returned	29,556.1	30,785.0	4.16
Media clearing	111,129.9	162,998.7	46.67
Supplementary cheque returned	994.5	2,602.3	161.67
Bill for collection	7,930.0	8,259.0	4.15
Provincial cheque	195,236.0	219,892.1	12.63
Electronic Cheque Clearing (Normal)	2,088,592.2	2,027,892.7	-2.91
Media clearing's fee	20.6	28.8	39.81
Total amount	2,433,459.3	2,452,458.6	0.78

Note : Δ% represents the percentage change from the same period of the previous year.

4. Provincial cheque clearing

In 2001, there were totally 19.3 million provincial cheque clearing transactions amounted to B1,603 billion, increased by 6.4 percent from 2000. These cheques were cleared through 86 clearing houses countrywide which comprised 70 provincial clearing houses; i.e., 21 in the Central region, 16 in the North, 19 in the North-east, and 14 in the South; and 16 district clearing houses; i.e., 7 in the Central region, 2 in the North, 4 in the North-east, and 3 in the South. The increase in volume of cheque clearing reflected the government policy toward economic stimulation and the attractive interest rate of financial institutions, which encourage more domestic expenditures even though the world's economy and external

Table 6 : Value of Cleared Cheques and Returned Cheques in Provincial Clearing Houses*(Unit : Billion Baht)*

Year	Cleared Cheques					Returned Cheques					B/C
	Central	South	N/E	North	Total	Central	South	N/E	North	Total	
1999	441.0	379.3	321.0	274.6	1,415.9	20.3	13.9	12.5	9.9	56.6	14.5
Δ%	3.8	-11.1	-11.4	-16.8	-8.3	-18.5	-35.3	-38.1	-39.6	-31.7	-32.8
2000	515.7	394.4	316.3	280.9	1,507.3	16.9	10.2	10.7	9.0	46.8	12.0
Δ%	16.9	4.0	-1.5	2.3	6.5	-16.8	-26.8	-14.4	-9.1	-17.4	-17.3
2001	555.5	412.8	342.8	292.2	1,603.3	14.4	10.1	10.3	8.2	43.0	11.3
Δ%	7.7	4.7	8.4	4.0	6.4	-14.8	-1.0	-3.7	-8.9	-8.1	-5.8

Note : Δ% represents the percentage change from the same period of the previous year.

Source : Bank of Thailand

demand were still sluggish. Meanwhile, there were 0.65 million returned cheques, amounted to B43 billion, or accounted for 2.7 percent of all cheque clearing value.

The centralized settlement of cheque clearing, which is operated by the Electronic Clearing House, had a total value of B219.8 billion throughout the year.

Besides, there were 317,029 cheques collected across different clearing regions (Bill for Collection-B/C) in 2001, amounted to B11.3 billion, decreased by 5.8 percent from 2000.

5. BAHTNET/2 development project

5.1 The BOT has developed the BAHTNET/2 system to replace the previous BAHTNET system. Apart from the funds transfer service, which is available in the previous system, the new BAHTNET/2 system offers additional government securities transfer services on a RTGS basis. The message can be sent to the BAHTNET system via two channels, which are S.W.I.F.T network and BAHTNET Web Service. The BAHTNET/2 system has commenced on 11 December 2001. Subsequently, the official opening ceremony by the Governor of the Bank of Thailand was held on 21 December 2001.

The implementation of the BAHTNET/2 development project was carried out with the co-operation from relevant parties, including, the Payment System Group, the Information Technology Group, as well as the external consultant. The implemented tasks involve installing hardware and software in accordance with the hardware and software contract, as well as, proceeding in accordance with the Consultant contract, such as, to review the system requirements, to outline the initial design, to develop detail design specification, to evaluate the project risk and status, to implement the build cycle and system test on a regular basis so as to ensure that the BAHTNET system can satisfy the need of the users.

Additionally, the BOT has closely co-ordinated with S.W.I.F.T to set up S.W.I.F.T Network and Closed User Group (CUG) to allow members to send BAHTNET messages among themselves via S.W.I.F.T. To ensure that all members have prepared themselves for the BAHTNET/2 system, the BOT has organized several meetings with BAHTNET/2 users to provide them with the details on message specification and preparation procedures and requirements. Training courses were conducted to provide a thorough understanding of the BAHTNET/2 system. Subsequently, the BOT Rules and Regulations on the BAHTNET/2 service B.E. 2544 and any relevant proclamations were put into the effect on 11 December 2001.

5.2 To promote and boost up the use of the third party funds transfers service through the BAHTNET/2 system, the BOT has distributed handbills and posters to disseminate information and promote the use of third party funds transfer transaction via the BAHTNET system at the relevant exhibitions. The advertisement

of the funds transfer service via the BAHTNET system was published in the Journal of Exporter during March 2001 - February 2002 so as to increase the awareness of the target customers, e.g., executives and businessman, about the BAHTNET system and its advantage, that is, the high volume of the funds transfer transactions through the BAHTNET system would help reduce the settlement risk in the payment system.

6. Other projects

During 2001, there were a number of projects and major tasks, which were carried out as following:

6.1 Payment Strategic Directions Project whose main objectives are to conduct a stock takes analysis of the national payment systems infrastructure, and determines a strategic vision for payment systems. The project intends to formulate a payments strategy to support electronic commerce transactions and to serve as a guideline for parties concerned planning, and to raise concern on risks of various net settlement systems and propose the BOT as the settlement centre. The benefit of this project is the assessment of current payments infrastructure, which can be used as a feedback for payment service providers and the BOT as well. The project survey of payment user needs lead to the strategy formulation for development of future payment systems and prioritization for payment systems development plans. Consequently, the Payment Systems Group has finalized the "Payment 2004" report, which propose the necessary development direction to support and strengthen country's safe and sound payment systems.

6.2 Payment System Risks Project, whose main objectives are to study the settlement risks of government securities transactions and business to business electronic commerce, to identify type and size of risks associated, and to propose the guidelines and measures to manage these risks. The project is beneficial for the development of funds transfer systems for business to business electronic commerce in terms of efficiency, security and transaction growth. The safe and sound system will eventually lead to the growth of export as electronic business has increasingly gained its popularity in global business.

6.3 FX Risk Survey, a co-operative task of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP), was to raise commercial banks' awareness on foreign exchange settlement risk, both at executive and operational levels. The survey aims to promote the implementation of current best practice in the region, with respect to both the management of foreign exchange settlement risk and the back office practices which influence the size and duration of this risk. Furthermore, the survey intends to identify other potential options for reducing foreign exchange settlement risk, which may be implemented by commercial banks, and central banks or monetary authorities.

6.4 The establishment of the Payment System Committee which chaired by the BOT Governor and the invitation of three professional members from government, business and academic arena. The responsibility of the committee covers extensive issues concerning payment systems risks and efficiency policies.

6.5 The preparation of EMEAP Red Book on Payment and Settlement System. The previous EMEAP Red Book, worked by the Working Group on Financial Market Development from the EMEAP's eleven countries, was published in 1997. The working group has agreed to have the EMEAP Red Book revised with updated data and recent development. In the meantime, the working group is in the process of editing the Book, which is expected to be published within the first quarter of 2002.

6.6 Study for Cross-border Linkages between the BAHTNET System and Other Payment Systems Project has been established in order to study and consider the feasibility of the linkages between the BAHTNET system and other payment systems both domestic and international linkages. The objectives of the Project are to reduce the settlement risks, to develop Thai payment system to conform to the international standard, and to be beneficial information for defining the payment system policy and further payment system development. Time interval of the Project is from 1 January 2001 to 31 December 2001. Progress summary report of the Project is as follows;

6.6.1 The Project studied, analyzed and made a report about EMEAP-PVP (Payment-Versus-Payment) as well as joined the EMEAP Expert Program at the Bank of Japan by Team Executive of BAHTNET Development Team 2 whose purposes were to study and make a report for General Concept and Outline Specification of EMEAP-PVP.

6.6.2 The Project studied, analyzed and made a report about CLS and HK-PVP in order to study the feasibility of the linkages between the BAHTNET system and payment systems in other countries. Moreover, the Project studied and analyzed Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET). The Project also studied and made a report about Delivery Versus Payment Models (DVP Models) in other countries. Furthermore, the Project studied, gathered the information and made a report regarding Thai Government Securities and the possibility of the linkage between the BAHTNET system and Thailand Securities Depository Co., Ltd. by studying from the recommendation of the Capital Markets Company Pte. Ltd. (Capco). Eventually, the final report of the Project has been completed.

6.6.3 The Project followed the resolution of the Payment System Committee with regards to establishment of a working group comprising the representative of the Financial Institutions Policy Group, the Monetary Policy Group, the Financial Markets Operations Group, the Legal Group, the Information Technology

Group and the Payment Systems Group to study the feasibility of the cross-border linkages between Thai payment system and international payment system.

C. Banker to the Government

1. Repository of Government and Government agency deposit accounts

At the end of 2001, treasury balance at the BOT was B11,313 million, a decline of B9,758.3 million or 46.31 percent compared to the previous year's end.

Balance in government agency and public organization accounts at the BOT, at the end of 2001, stood at B14,974.3 million, up by B2,350.1 million or 18.62 percent compared to the previous year's end.

2. Government and state enterprise securities holding

As of end-2001, the BOT's holding of government securities increased slightly from that of end-2000. The BOT has been actively trading with primary dealers in T-bills, T-bonds and state enterprise bonds with an aim to build up a pool of liquid securities for monetary policy implementation.

D. Banker to Commercial Banks and Financial Institutions

1. Repository of bank deposit accounts

Balance in bank accounts at the BOT, head office, regional offices, and provincial representatives, at the end of 2001, was B50,592.5 million, a decline of B5,361.5 million or 9.58 percent compared to the previous year's end. Of this amount, deposits at the BOT head office totalled B45,619.8 million, regional offices B1,822.5 million, and provincial representatives B3,150.2 million.

2. Repository of financial institution deposit accounts

Balance in financial institution accounts at the BOT head office, at the end of 2001, was B1,039.9 million, a decline of B1,603.8 million or 60.66 percent compared to the previous year's end.

At the end of 2001, balance in other accounts excluding accounts of the Government, government agencies, banks and financial institutions totalled B419,163.6 million, a decline of B12,647.2 million or 2.93 percent compared to the previous year's end.

3. Issuance of Bank of Thailand bonds (BOT bonds)

In 2001, there was no new issuance of BOT bonds while one issue worth B3.1 billion matured. Thus, at end-2001, there was no BOT bonds outstanding in the market.

4. Repurchase market operations

Repurchase transaction volume in 2001 totalled B12,187 billion, increasing by B3,356 billion, or 38 percent from 2000.

The 14-Day Repurchase rate continued to serve as the policy rate. From 1.5 percent set by the Monetary Policy Committee since 23 May 2000, the rate was raised to 2.5 percent on 8 June 2001 and then reduced to 2.25 percent on 25 December 2001.

5. Bilateral repo with primary dealers

Only a small amount of bilateral repo transactions to drain liquidity was done in 2001 due to special business tax constraint. However, this tax constraint has been abolished in December 2001, thus allowing opportunities for the BOT to use the bilateral repo transaction with primary dealers as an efficient monetary policy tool in 2002.

6. Adjustments of standing facility

To further enhance the effectiveness of monetary operation mechanism, the BOT introduced the new "End-of-day liquidity window" on 1 October 2001 as a channel for financial institutions with insufficient liquidity to place collateral and obtain liquidity from the BOT at the end of the day. As a result, other windows, namely Loan Window, RP late hour, repurchase of notes, and Bank rate were abolished and the End-of-day liquidity window will act as the only standing facility. The interest rate charged for the new window is equal to the policy rate plus an adjustable margin presently set at 1.5 percent. With the current policy rate at 2.25 percent, the interest rate charged is 3.75 percent (2.25 + 1.5). The rate charged for Intraday Liquidity Facility was also reduced, currently at 3.75 percent, to match that of the End-of-day liquidity window.

7. The BOT's financial assistance to priority economic sectors in 2001

In 2001, the BOT provided financial assistance to priority economic sectors, i.e., exports, manufacturing, agriculture, and others through financial institutions totalling B113,268.1 million, which was B13,295.2 million or 10.5 percent less than that of the previous year. The total credit outstanding at the end of 2001 stood at B35,099.7 million, up by B4,440.9 million or 14.5 percent from end-2000. The operations of the BOT's credit & refinancing facilities are summarized as follows:

7.1 Export sector

The BOT provided export credit through the Export - Import Bank of

Thailand (EXIM Bank). In 2001, the export credit totalled B46,199.1 million, down by B36,627.7 million or 44.2 percent from 2000. This credit is divided into 2 categories. The first is packing credit which the EXIM Bank gave as loans through commercial banks, totalling B44,299.1 million. The other is direct credit which the EXIM Bank gave as loans to exporters directly worth B1,900 million. At end-2001, total credit outstanding stood at B6,965.1 million, down by B444.1 million or 6.0 percent from the previous year.

In addition, the BOT extended the maturities of P/N arising from rice exports to the Government of Iraq amounting to B1,386.1 million in 2001. The outstanding credit stood at B478.6 million at end-2001.

7.2 Industrial sector

In 2001, the BOT provided credit to the industrial sector through commercial banks, the Industrial Finance Corporation of Thailand (IFCT), the Small Industrial Finance Corporation and the EXIM Bank. The value of P/N purchased totalled B58,987.5 million, up by B23,720.6 million or 67.3 percent from 2000. This was due to the significant increase of credit extended to Small and Medium Enterprises (SMEs) which rose sharply to B50,850.7 million, up by B21,668.6 million or 74.3 percent in 2001, resulting from the improvement in credit extension criteria and operation methods several times during the year.

At the end of 2001, the outstanding industrial credit of the BOT was B22,641.9 million, up by B6,439 million or 39.7 percent from 2000.

7.3 Agricultural and other sectors

The agricultural credit provided by the BOT in 2001 totalled B6,695.4 million, down by B193.5 million or 2.8 percent from 2000. Meanwhile the credit line extended to the Bank for Agriculture and Agricultural Cooperatives (BAAC) from the BOT, amounting to B3,000 million, has not yet been disbursed this year due to the BAAC having enough liquidity. The outstanding agricultural credit from the BOT at the end of 2001 was B1,893.2 million, down by B525.1 million or 21.7 percent from 2000.

In addition, there are 3 BOT schemes for credit extension to other sectors, i.e., the rural development project, the rehabilitation of real estate business project, and credit to private educational institutions project. However, the disbursements of new loans from the BOT to these projects had not been made in 2001 whilst there were repayments from the rehabilitation of real estate business projects during the year. As a result, at end-2001 the outstanding credit at the BOT was B3,120.9 million, down by B752.4 million or 19.4 percent from the last year-end.

Table 7 : The BOT's Financial Assistance to Priority Economic Sectors
(Unit : Million Baht)

Priority Economic Sectors	2000		2001		Change	
	Accumulative Value	Outstanding at year-end	Accumulative Value	Outstanding at year-end	Accumulative Value	Outstanding at year-end
	(1)	(2)	(3)	(4)	(3) - (1)	(4) - (2)
Exports	84,407.4	8,164.3	47,585.2	7,443.7	-36,822.2	-720.7
Credit through Exim Bank	82,826.8	7,409.1	46,199.1	6,965.1	-36,627.7	-444.1
Long-term credit to rice exports	1,580.6	755.2	1,386.1	478.6	-194.5	-276.6
Industries	35,266.9	16,202.9	58,987.5	22,641.9	23,720.6	6,439.0
Credit through commercial banks	31,476.7	6,812.1	52,330.2	9,090.3	20,853.5	2,278.2
Credit through IFCT	3,500.0	8,103.8	6,600.0	12,511.8	3,100.0	4,408.0
Credit through Exim Bank	290.2	1,287.0	57.3	1,039.8	-232.9	-247.2
Agriculture	6,888.9	2,418.3	6,695.4	1,893.2	-193.5	-525.1
Credit through commercial banks	6,888.9	1,418.3	6,695.4	1,893.2	-193.5	474.9
Credit through BAAC	-	1,000.0	-	-	-	-1,000.0
Others	0.0	3,873.3	0.0	3,120.9	0.0	-752.4
Total	126,563.2	30,658.8	113,268.1	35,099.7	-13,295.2	4,440.9

Acting as Agent of the Government

A. Performance Report of Exchange Control Division

1. Amendment on exchange control regulations and procedures

Amendments on exchange control regulations and procedures in 2001 are as follows:

1.1 Notification of the Ministry of Finance on Directions to authorized agents (No.5) dated 8 January 2001 cancelling the report form F.T. 12, 22, and 80.

1.2 Notice of the Competent Officer on Principles and Procedures Regarding the Currency Exchange (No.9) dated 11 January 2001 requiring Thai persons wishing to repay offshore loans to submit evidences of loans and principal brought into Thailand.

1.3 The Competent Officer's Circular FOG (14) 1/2544 dated 4 January 2001 clarifying regulations and procedures on foreign currency deposit accounts.

1.4 The Competent Officer's Circular FOG (14) 4/2544 dated 13 February 2001 notifying authorized agents to comply with the Cabinet's resolutions requiring Thai government units to proceeds with UN's measures on sanctioning the Taliban.

1.5 The Bank of Thailand's Circular BOT.FOG (14) 1061/2544 dated 15 May 2001 revising the daily report form F.T. 40 on Non-Resident Baht Accounts.

1.6 The Bank of Thailand's Circular BOT.FOG (14) 1265/2544 dated 11 June 2001 revising the new report forms F.T.40 (A), (B), (C), and (D).

1.7 The Bank of Thailand's Circular BOT.FOG (14) 1757/2544 dated 10 August 2001 revising the daily report form F.T. 40 on Non-Resident Baht Accounts.

1.8 The Bank of Thailand's Circular BOT.FOG (14) 1988/2544 dated 5 September 2001 instructing authorized agents to have their clients complete information relating to evidences of principal brought into Thailand in the report forms F.T.4 (A), (B), (C), and F.T.40 in case of loan repayment.

2. Implementation of the Exchange Control Act

2.1 Outflow by Thai residents

In 2001, outflow by Thai residents amounted to US\$220.58 million. Of this amount, US\$126.9 million was in foreign direct investment, US\$2.08 million

in purchase of immovable assets, US\$34.9 million in loans to affiliate companies abroad, and US\$56.7 million in remittances to Thai emigrants with permanent residence abroad.

2.2 Approvals to facilitate business operations and remittances

2.2.1 foreign currency deposit accounts: 213 cases

2.2.2 import and export

(1) netting and others: 176 cases

(2) repatriation of export proceeds later than 120 days:
1,466 cases

2.2.3 Thai Baht loan repayment: 363 cases

2.2.4 foreign currency loan repayment: 453 cases

2.2.5 purchase of immovable assets: 26 cases

2.2.6 foreign direct investment: 17 cases

2.2.7 purchase of securities abroad: 188 cases

2.2.8 remittances by Thai persons temporarily residing abroad :
9 cases

2.2.9 repatriation of non-residents' fund: 91 cases

2.2.10 hedging contracts between residents and foreign institutions:
151 cases

2.2.11 loan to companies abroad: 15 cases

2.2.12 replies to enquiries regarding exchange control: 64 cases

2.2.13 others including remittances of condominium rental and sale, insurance claims, deposit, mutual funds' capital, insurance fee, advances, Thai Baht notes, proceeds of airline ticket sale and freight charges, tax and VAT refund, donations, and other services: 490 cases

2.3 Co-operation with Government units in relation to exchange control

2.3.1 Participation in the drafting and negotiation of 7 bilateral agreements led by the Ministry of Foreign Affairs.

2.3.2 Participation in the drafting and negotiation of the Agreement

between Government of the Kingdom of Thailand and the Asian Development Bank Regarding the Resident Mission of the Asian Development Bank.

2.3.3 Participation in the drafting of the Thai Marine Troop's procurement contract for off-coast guard vessels.

3. Inspection of proceeds from exports.

In 2001, the payment value of exports according to F.T.1 form amounted to US\$48,321 million, decreased by 4.6 percent from 2000. The amount of foreign currency received from exports and exchanged into Thai Baht, the amount of foreign currency proceeds from exports deposited into foreign currency deposit account, and the amount of foreign debts repayment totally amounted to US\$50,063 million, decreased from 2000 by 4.9 percent and equal to 103.6 percent of export value at the same payment period.

Table 8 : Exports Value and the Receipts of Proceeds of Exports (Unit : Million US\$)		
	2000	2001^P
Payment value of exports ^{1/}	50,645	48,321
Δ%	14.1	-4.6
Foreign currency received from exports : exchanged into Thai Baht, deposit into foreign currency deposit account and repaid foreign debts ^{2/}	52,640	50,063
Δ%	15.3	-4.9

Notes : 1/ Only exports value in excess of US\$20,000 or equivalent.
2/ Only foreign currency received from exports in excess of US\$20,000 or equivalent.
P Preliminary
Δ% represents the percentage change from the same period of the previous year.

B. Foreign Exchange Transactions and net FX Positions of Authorized Agents, IBFs, Authorized Moneychangers, Money Transfer Agents, and Currency Exchange Services

1. Authorized agents

1.1 Number of authorized agents

At end-2001, the number of authorized agents amounted to 34 financial

institutions, a decrease of 3 agents from last year. The authorized agents comprised of 13 commercial banks registered in Thailand, 18 foreign bank branches, the Export-Import Bank of Thailand, the Industrial Finance Corporation of Thailand, and Asia Credit Finance Plc.

1.2 Volume of transactions

In 2001, the purchase of foreign currencies from customers totalled US\$196,978.4 million, a decrease of 14.7 percent from last year, whereas the sale totalled US\$196,152.2 million, a decrease of 14.5 percent from last year. Net purchase over sale amounted to US\$826.2 million resulting mainly from net purchase from overseas financial institutions and net purchase from domestic exporters.

	2000	2001	Δ%
Purchase	230,985.3	196,978.4	-14.7
Export	36,294.2	36,905.5	1.7
Other	194,691.1	160,072.9	-17.8
Sale	229,526.6	196,152.2	-14.5
Import	35,870.7	36,653.6	2.2
Other	193,655.9	159,498.6	-17.6
Net Purchase and Sale	1,458.7	826.2	-43.4
Foreign Trade	423.5	251.9	-40.5
Other	1,035.2	574.3	-44.5

Note : Δ% represents the percentage change from the same period of the previous year.

Source : Daily Report of Spot and Forward Exchange Transaction and Position (F.T.30)

1.3 Foreign exchange positions

At end-2001, authorized agents held a long position of US\$462.8 million in the net foreign exchange position, an increase of 6.4 percent from last year. Spot position was long at US\$11,949.7 million, an increase of 6.3 percent from last year. This resulted from the net purchase over sale to customers over the year. Authorized agents held a short forward position of US\$11,486.9 million, an increase of 6.3 percent from last year. The short forward position was mainly accounted by sales to two parties: domestic customers for hedging loan repayments and import expenses, and overseas financial institutions for hedging investments in Thailand.

Table 10 : Foreign Exchange Position of Authorized Agents at end 2001
(Unit : Million US\$)

	End 2000 (+ Long, - Short)	End 2001 (+ Long, - Short)	Δ%
Spot Position	+11,236.3	+11,949.7	6.3
Assets	20,190.8	19,100.1	-5.4
Liabilities	8,954.5	7,150.4	-20.1
Forward Position	-10,801.3	-11,486.9	6.3
Bought	36,427.9	34,572.3	-5.1
Sold	47,229.2	46,059.2	-2.5
Net Position	+435.0	+462.8	6.4

Note : Net position is the sum of spot position and forward position.

Δ% represents the percentage change from the same period of the previous year.

Source : Daily Report of Spot and Forward Exchange Transaction and Position (F.T.30)

2. International Banking Facilities (IBFs)

At end-2001, there were a total of 36 operating IBFs, a reduction of 4 banks from the previous year. Four banks which ceased their operation were foreign Bangkok International Banking Facilities (BIBFs), namely Dresdner Bank A.G., the Fuji Bank Ltd., the Sakura Bank Ltd. and the Industrial Bank of Japan Ltd., bringing the total number of operating foreign BIBFs down to 10 banks. The number of foreign bank branches' IBFs declined to 15 banks, while Thai BIBFs remained unchanged at 11 banks. The number of Provincial International Banking Facilities (PIBFs) also declined from the previous year to a total of 7 banks nationwide.

In 2001, IBFs' lending figure showed the net receipt of repayments amounting to US\$2,577.6 million, attributable partly to customers' debt restructuring and preference shift towards Baht borrowings from commercial banks. Outstanding foreign currency lending accordingly declined by 26.2 percent from the previous year to the total of US\$7,801.6 million. Of this amount, US\$7,001.1 million is attributable to Out-In lending and the remaining amount of US\$800.5 million was Out-Out lending, 82.2 percent of the lending was denominated in US dollar and 17.1 percent in Yen. For the value of market share, lending of foreign bank branches' IBFs gained the largest market share (68.6 percent), followed by Thai IBFs (16.5 percent) and Foreign IBFs (14.9 percent).

Outstanding foreign currency loans and deposits declined from the previous year by 23.1 percent, to reach the new level of US\$7,187.7 million following the downward trend of foreign currency lending. Loans were mostly denominated in Yen (55.1 percent) and US dollar (44.6 percent). Deposits were entirely denominated in US dollar, with the outstanding amount of US\$9.2 million as of end-2001.

Table 11 : Net lendings of IBFs
(Unit : Million US\$)

	2000			2001		
	Out - In	Out - Out	Total	Out - In	Out - Out	Total
Thai IBFs						
Lending	19,784.3	617.9	20,402.2	6,367.2	581.2	6,948.4
Receipt of repayment	21,327.9	803.5	22,131.4	6,953.5	677.4	7,630.9
Net	-1,543.6	-185.6	-1,729.2	-586.3	-96.2	-682.5
Foreign Bank Branches IBFs						
Lending	88,368.3	2,511.4	90,879.6	61,984.9	1,618.8	63,603.7
Receipt of repayment	90,805.2	2,937.5	93,742.7	63,073.2	1,795.8	64,869.0
Net	-2,436.9	-426.2	-2,863.1	-1,088.3	-177.0	-1,265.3
Foreign IBFs^{1/}						
Lending	4,503.2	844.6	5,347.8	3,857.9	415.4	4,273.3
Receipt of repayment	5,062.9	948.3	6,011.2	4,395.9	507.2	4,903.1
Net	-559.7	-103.7	-663.4	-538.0	-91.8	-629.8
Total						
Lending	112,655.8	3,973.9	116,629.6	72,210.0	2,615.4	74,825.4
Receipt of repayment	117,196.0	4,689.3	121,885.3	74,422.6	2,980.4	77,403.0
Net	-4,540.2	-715.5	-5,255.7	-2,212.6	-365.0	-2,577.6

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

Source : Monthly Report of Transactions & Position of Foreign Currencies of Bangkok International Banking Facilities (F.T.100)

Table 12 : Lending Outstanding of IBFs*(Unit : Million US\$)*

	End 2000	End 2001	Δ%
Out – In	9,390.7	7,001.1	-25.4
Out – Out	1,179.1	800.5	-32.1
Total	10,569.8	7,801.6	-26.2

Note : Δ% represents the percentage change from the same period of the previous year.**Source :** Monthly Report of Transactions & Position of Foreign Currencies of Bangkok International Banking Facilities (F.T.100)

3. Authorized moneychanger, authorized company, money transfer agency and exchange currency service office

3.1 Foreign exchange

At end-2001, there were 269 authorized moneychangers – 149 offices located in Bangkok and 120 offices located in provincial areas. In addition, there were 1 authorized company, 4 money transfer agencies, and 379 exchange currency service offices – 171 Bangkok offices and 208 provincial offices.

Table 13 : Transaction Volume of Foreign Exchange through Authorized Moneychanger, Authorized Company, Money Transfer Agency and Exchange Currency Service Office at end-December 2001

Type	No.	Increase No. from Previous Year	Purchase/ Remittance Volume		Sale/ Remittance Volume	
			Million US\$	Δ%	Million US\$	Δ%
Authorized Moneychanger	269	9	162.99	-1.17	163.83	-0.50
Authorized Company	1	–	4.32	7.46	2.08	8.93
Money Transfer Agency	4	1	29.73	23.31	5.12	-46.27
Exchange Currency Service Office	379	14	1,733.84	7.95	149.56	-4.01

Note : Δ% represents the percentage change from the same period of the previous year.

3.2 Authorized moneychanger/agency examination

In 2001, 142 authorized moneychangers were examined and 5 of which failed to comply with the BOT's notifications. All of such cases were corrected in

accordance with the BOT's requirement. Likewise, some inappropriate activities were detected at money transfer agencies and the corrective actions were already issued. Nevertheless, the examination indicated that there were fewer cases of violations by both authorized moneychangers and money transfer agencies than those of the previous year as a result of the BOT's close monitoring.

3.3 Measures for unauthorized foreign exchange services

During 2001, the Supervision Group collaborated with police officers supporting investigation of the unauthorized foreign exchange services, issued public warning against illegal FOREX brokers, and educated the public regarding this type of swindle. Moreover, the Group also co-ordinated with the Ministry of Finance's taskforce to prevent illegal money.

C. Public Debt Management

1. Debt management

1.1 Government bonds and bills

Government bonds

In 2001, 11 issues of Ministry of Finance bonds were issued with total value of B149,162.3 million. These consisted of 7 ordinary issues totalling B96,212.3 million and 4 issues of Re-open bonds totalling B52,950 million.

At the end of 2001, the outstanding value of 64 issues totalled B658,934.8 million.

Treasury bills

In 2001, 94 issues of T-bills totalling B362,000 million were auctioned. There were 83 issues redeemed with total value of B317,000 million.

At the end of 2001, the outstanding value of 23 issues totalled B107,000 million.

Debt restructuring bills

In 2001, 18 issues of Debt Restructuring Bills totalling B79,400 million were auctioned. There were 17 issues redeemed with total value of B76,400 million.

At the end of 2001, the outstanding value of 1 issue totalled B3,000 million.

1.2 State enterprise bonds

At the end of 2001, the BOT was a registrar and payment agent for 412

issues of state enterprise bonds totalling B583,832.8 million. These included 51 issues totalling B57,507.3 million issued in 2001.

During 2001, 137 issues were redeemed with total value of B220,791.2 million, and at end-2001, there were 275 issues totalling B363,041.6 million left to be redeemed as follows;

Table 14 : Outstanding of State Enterprise Bonds at end-2001

(Unit : Million Baht)

State Enterprise Bonds	Number of issues	Outstanding Value
The Bangkok Mass Transit Authority Bonds	8	8,112.1
National Housing Authority Bonds	9	13,500.0
The Expressway and Rapid Transit Authority Bonds	56	71,756.7
The Metropolitan Waterworks Authority Bonds	7	9,543.3
The Provincial Waterworks Authority Bonds	9	8,700.0
The Petroleum Authority of Thailand Bonds	56	67,677.5
The Metropolitan Electricity Authority Bonds	7	6,700.0
Electricity Generating Authority of Thailand Bonds	56	75,452.9
The Provincial Electricity Authority Bonds	6	6,980.0
The State Railway of Thailand Bonds	20	18,719.1
Mass Rapid Transit Authority of Thailand Bonds	12	13,900.0
Bank for Agriculture and Agricultural Cooperatives Bonds	2	4,000.0
The Government Housing Bank Bonds	27	58,000.0
Total	275	363,041.6

1.3 Bank of Thailand bonds (BOT bonds)

In 2001, there was no new issuance of BOT bonds. One issue of BOT bonds was redeemed with total value of B3,076 million.

The BOT had been the registrar of BOT bonds since 7 August 1995. There had been 181 issues of BOT bonds issued and redeemed with the total value of B338,819 million. At the end of December 2001, there was no BOT bond remaining.

1.4 Financial Institution Development Fund bonds (FIDF bonds)

In 2001, there were 41 issues totalling B504,500 million auctioned.

Of this amount, 5 issues totalling B112,000 million are Ministry of Finance-guaranteed. There were 61 issues redeemed with a total value of B473,000 million, and at year-end, the outstanding value of 41 issues totalled B504,500 million.

1.5 The Property Loan Management Organization bonds (PLMO bonds)

There was no new issuance of PLMO bonds in 2001. During this year, there was a partial pre-redemption with the total value of B662.7 million. At the end of 2001, the outstanding value of 1 issue totalled B337.3 million.

1.6 Industrial Finance Corporation of Thailand debentures (IFCT debentures)

The BOT did not act as a registrar and payment agent for IFCT during 2001. Moreover there was no IFCT debentures redeemed in 2001. At the end of 2001, the outstanding value of 5 issues totalled B4,800 million.

1.7 The Bangchak Petroleum Public Company Limited debentures

In 2001, the BOT acted as a registrar and payment agent for 1 issue totalling B3,000 million. There was 1 issue redeemed with total value of B1,000 million. At the end of 2001, the outstanding value of 2 issues totalled B6,600 million.

2. Redemption of Government bonds

In 2001, the BOT conducted the redemptions for 4 issues of government bonds totalling B99,041.5 million. There were 2 issues partially redeemed with the total value of B2,383.8 million. The principal payment totalling B19 million was conducted for 3 issues of special projects issued in foreign currency and obliged to make the instalments.

3. Redemption of state enterprise bonds

In 2001, there were the redemptions for 30 issues totalling B45,568.9 million.

4. Interest payment

In 2001, there were 62,577 transactions of coupon payment worth B76,699.1 million as follows;

Table 15 : Interest Payment*(Unit : Million Baht)*

Bonds/Debentures	Number of issues	Number of Transactions	Payment Value
Government Bonds	87	43,664	45,142.7
State Enterprise Bonds	523	17,098	28,950.8
BOT Bonds	2	12	137.6
FIDF Bonds	5	1,374	1,926.7
IFCT Debentures	10	302	326.6
Bangchak Debentures	3	127	178.7
Total	630	62,577	76,699.1

D. Financial Institutions Supervision Policies

1. Financial institutions policies

1.1 Encouraging debt restructuring of the financial institutions

With the objective to encourage debt restructuring between financial institutions and debtors and to minimize existing non-performing loans (NPLs) in the financial system, the BOT has implemented the following measures :

1.1.1 Proposed to the Ministry of Finance on extending permission period for privileges on debt restructuring as previously ended in 2001.

1.1.2 To accommodate with extension period for tax and duty privileges as a result of debt restructuring to be ended on 31 December 2002, the extension also applies to BOT's permission to hire purchase and leasing business as a result of debt restructuring.

1.1.3 Issued circulation to the financial institutions informing the Revenue Department's confirmation on granting tax and duty privileges for financial institutions' debt restructuring.

1.1.4 To inform financial institutions that the Revenue Department prepared a form to certify debtor's property transfer to other creditors who are not financial institutions.

1.1.5 To increase types of shares in limited companies, possessed by means of debt restructuring in accordance with the BOT's regulation, which the BOT allows financial institutions to hold in excess of the legal limit. In addition, the BOT allows the financial institutions to sell those shares while incurring losses in some cases.

1.1.6 To extend the period allowed for International Banking Facilities (IBFs) to possess immovable property under the condition that IBFs should sell those immovable property transferred between 1997 and 2001 within 10 years from the date of receipt.

1.2 Expanding scope of businesses of financial institutions

1.2.1 To permit commercial banks to accept the deposit in the form of escrow account where depositors have entered into purchase/sale agreement with the sellers. In performing such activity, commercial banks have to oversee that the withdrawal will be done when the purchaser and the seller have fulfilled the conditions agreed upon opening the account.

1.2.2 To permit commercial banks to borrow from institutional investors in form of private repurchase transaction. The institutional investors are as follows : 1) funds under the Office of the Securities and Exchange Commission (SEC) supervision such as mutual funds, provident funds, private funds, and any funds which may occur in the future. 2) Government pension fund 3) Social security fund 4) Specialized Financial Institutions 5) Life insurance companies and 6) Insurance companies.

1.2.3 The measures for Asset Management Companies (AMCs)

(1) To expand the scope of business for AMCs to be able to buy real estate that has already been through the legal foreclosure process.

(2) To extend the definition of financial institutions to include AMCs, thus AMCs can legally buy and sell assets with other AMCs.

1.2.4 To abolish the loan ceiling for commercial banks and finance companies, which lend to companies involved in hire-purchase business. Moreover, the BOT restricts this policy to include only hire-purchase agreements for passenger cars that can seat no more than 7 passengers.

1.2.5 To allow commercial banks to render back office services to others.

1.2.6 To expand the scope of finance companies' custodian service to include land titles and purchase agreements.

1.2.7 To extend the scope of IBFs' business by allowing IBFs to engage in hedging their foreign currency debts or credits against interest rate risk and offer this service to their foreign currency debtors.

1.3 Financial institution supervision policies

1.3.1 Clarification on asset classification rule

Pursuant to the issue arising from the regulations on asset classification which may raise obstacle in granting loan to customers, the BOT therefore issued a clarification on asset classifications rules informing the financial institutions and relevant organizations the guideline in case where the debtor has been operating at a loss for two or three consecutive years, asset classification on each debtor, asset classification on group of loan, asset classification on quality of guarantor, including guideline in case where the financial institutions are uncertain on their debtor's qualification.

1.3.2 Revision on the regulations on classification and provisioning

To accommodate with current situation and to enhance the financial institutions internal risk management, as well as to encourage financial institution extending credit to business sector, the BOT seeked the Minister of Finance for approval on revision of the regulation on asset classification and provisioning. This revision shall come into force from 1 July 2001 onwards (the latter half of annual accounting period).

(1) Assets classified as Special Mention and as Pass requiring a minimum of 2 percent and 1 percent provisions, respectively or lower provisions which has been calculated from reclassification from Special Mention or Pass to Substandard, Doubtful, and Doubtful of Loss or Loss, for the average of the last 4 quarters.

(2) Revised regulations on collateral, which can be deducted from the book value of the debt before calculating the provisions;

- Allowing Standby Letter of Credit (SBLC) and Letter of Guarantee (LG) to be used as collateral for deduction from the book value of the debt before calculating the provisioning requirements, by which SBLC is deductible by 100 percent and LG is deductible by 95 percent.

- Collateral for assets classified as Pass and Special Mention that has been appraised or evaluated for no longer than 36 months is deductible by no more than 90 percent of the appraised value. If the collateral has been appraised or evaluated for longer than 36 months, it is deductible by no more than 50 percent of the appraised value.

(3) Revised the regulations on value appraisal of immovable properties acquired as a result of debt settlement or public auction on the following issues;

- The immovable properties that bank acquired as a result of debt settlement or public auction whose book value exceeds B50 million required the use of independent appraiser.

- For the immovable properties which have not been appraised or evaluated within the last twelve months, the collateral can be deductible by no more than 50 percent of their latest appraised value. The eligible collateral amount is deducted from the book value of the debt, using the remaining sum to calculate the provisions required.

(4) Regulations on asset classification on quality of guarantor were repealed.

1.3.3 Regulation on financial institutions collateral valuation

To set clear guideline on financial institution collateral valuation, the BOT has made necessary refinement and additional clarification to enhance the clarity of the above mentioned regulations, which can be summarised as follows :

(1) Where appraisal committee of financial institutions and independent appraiser differ in valuation opinion, and the collateral valuation is required to be conducted by independent appraiser; the committee is not able to adjust the value of the collateral assessed by the independent appraiser. The committee may, however, appoint a new appraiser to re-evaluate the value of the collateral. The final appraised value may be chosen within the range of two quoted values made by the two independent appraisers.

(2) The use of independent appraiser is still required for loans with book value of over B25 million for financial institutions with capital under B8,000 million, and over B50 million for those with capital equal or greater than B8,000 million, respectively. In 2002, the same requirement, however, does not apply to small-sized loans with book value of over B10 million or B20 million for those with capital under B8,000 million, and equal or greater than B8,000 million, respectively, as previously required.

(3) Financial institutions shall comply with the regulations on collateral valuation relating to the calculation of required provisions in accordance with the Notification of the BOT re: Worthless or irrecoverable assets and other doubtful assets which may be worthless or irrecoverable.

1.3.4 Credits

(1) Issued regulation regarding loans through private repo and limit of transaction amount when aggregating them with single lending limit.

(2) Issued regulation regarding loan approval to related benefit entity and shareholders.

(3) Set up regulation allowing finance companies to grant loan or create contingent liabilities which exceeds controlled amount or proportion to capital funds, without a permission from the BOT.

(4) Set up guideline regarding documents required for loan application.

1.3.5 Credits to SMEs

(1) Extending period of special programme for SMEs with NPL problem but still have business potential.

To help solve the problems for SMEs and enable them to perform efficiently as before, the BOT has extended the loan reclassification guideline in the special programme for SMEs that still have business potential for another 2 years, to be ended on 7 April 2004. For SMEs participating this programme and complying with the BOT's restructuring guideline, financial institutions can immediately reclassify loans of such SMEs to Pass.

(2) To request commercial banks to submit the SMEs' most practical credit target in 2001 and monitor SMEs' credit report semi-annually to the BOT.

1.3.6 In order to create a level playing field between locally-incorporated commercial banks and branches of foreign banks especially in terms of consumer lending, the BOT repealed the cap on lending rate of MLR+4% which used to impose on locally incorporated commercial banks only.

1.3.7 Regulations on liquid assets

(1) Adding the category of liquid assets

The BOT has added the category of liquid assets by including promissory notes issued by the Thai Asset Management Corporation (TAMC), restructuring bills issued by the Ministry of Finance, and Government bonds issued under the Tier-1 and Tier-2 Capital Support Scheme of the Ministry of Finance for maintenance of liquid assets.

(2) Value of the securities to be accounted for maintaining of liquid assets

The BOT has revised the regulation on the value of the securities to be accounted for maintaining of liquid assets by using book value instead of par value in order to comply with the Thai Accounting Standard.

1.3.8 Rules regarding treatments to shareholders, directors, executives and employees and Directors' Handbook.

(1) Allowed a director and senior management of a commercial bank to be a chairperson, an executive director, or a director with signing authority in no more than 3 other companies.

(2) Allowed financial institutions to give or sell movable property to their directors without permission from the BOT if and only if its value does not exceed B50,000 per year. Financial institutions can further sell such property beyond this limit to their directors if these sales comply with criteria set by financial institutions which are in accordance with the rules set by the BOT.

(3) Established procedure involving paying cash or other assets as remuneration to employees.

(4) The issuance of Directors' Handbook is to enhance Financial Institution Prudential Supervision and Corporate Governance. The Handbook highlights the responsibility and limits to the authority that comes with the directorship position. The comprehensive nature of the Handbook stipulates directors' legal accountability and role in selecting and overseeing a competent management team. This includes guidelines for fostering competitive internal risk management culture and codes of conduct rooted within resilient business ethics. An example of the latter part refers to the need for increased transparency in terms of data dissemination and collection. Moreover, the Handbook also illustrates the supervisory role of the BOT, and particularly the working relationship between the BOT and financial institutions. Lastly, the Handbook has already been vetted in public hearings organized in December 2001, thereby ensuring that related parties would have the opportunity to influence the final outcome of this project. The Handbook will be published and distributed to related parties in early 2002.

1.3.9 Internal audit and internal control

(1) Set guideline for internal audit of financial institutions.

(2) Set internal control of procedures relating to a bill of exchange and a certificate of deposit.

(3) Required external auditors to submit special audit report to the BOT regarding the processes in receiving, paying and lending money, creating contingent liability, investing in the Stock Exchange of Thailand (SET), and selling assets.

1.3.10 Accounting procedure

Regulations regarding accounting procedures are as follows:

(1) Improved financial statements of financial institutions in order to be consistent with accounting standard.

(2) Set up accounting method to record investment in debt security.

(3) Prescribed the approach in recording transactions for loans

which have already been write off but were later restructured.

(4) Allowed TAMC promissory notes received in exchange of NPLs to be considered as debt securities that can be categorised as investment in financial statements.

1.3.11 Information and report required

(1) Ordered all financial institutions to change the submission period of the information about outstanding and details of the under-court-process loans from quarterly to monthly.

(2) Ordered all financial institutions to submit the monthly details on loans supporting NPLs outstanding and the annual details on financial institutions' entrepreneur customers.

(3) Ordered all financial institutions to change the submission period of details on entrepreneur customers in some items.

(4) Ordered locally-incorporated commercial banks, branches of foreign banks, finance companies, and finance and securities companies to submit the movement of all credit lines/loans.

(5) Ordered all financial institutions to extend the report submission of under-court-process credit lines/loans and its relevant details, details of credit lines/loans for supporting NPLs outstanding, and details of financial institution's entrepreneur customers for another 2 years.

(6) Issued circulation to AMCs to submit the prescribed reports and change the submission period.

(7) Issued circulation to all finance companies, finance and securities companies and credit foncier companies to extend the report submission of revision on loans and contingent liabilities, debt restructuring, and summary of asset classification and provisioning.

1.3.12 If a commercial bank closes its branch, the BOT requires the bank to compensate the depositors of that branch for any interest income losses that the customer may incur from the closure of the branch. The bank will have to provide depositors the amount of interest income that the depositors would have received had the bank branch not been closed.

1.3.13 Regulations on lands or buildings of commercial banks

(1) Due to the internal restructuring that commercial banks have undertaken, some banks ended up with land or buildings which no longer has any useful purpose in the new organization. Thus the BOT issued a guideline

requiring that the sale of the land or buildings or cancellation of rental contract must be completed within 1 year starting from the date which the bank relocated, cancelled, or closed their branch. However, due to the current economic downturn, the BOT extended the due date for completion of this transaction from 1 to 3 years but not exceed 2004.

(2) To permit commercial banks to temporarily rent out land or buildings, which are in the process of being sold or have their rental contract cancelled. However, commercial banks must not allow that transaction to exceed the time limit and impede on the final sale or rental contract cancellation.

1.3.14 To repeal the permission to count the following investments as assets of Section 6 of the Commercial Banking Act: (1) Investments in shares of limited companies from a branch of a foreign bank's capital funds, which are finally invested in common or preferred shares of locally-incorporated commercial banks and finance companies, in accordance with a scheme approved by the BOT; and (2) Investments in common or preferred shares of locally incorporated commercial banks and finance companies.

1.3.15 The reduction of annual fee charged to Bangkok International Banking Facility (BIBF) and Provincial International Banking Facility (PIBF) from B500,000 to B100,000 effective from 2002.

1.3.16 The BOT has proposed to the Minister of Finance that National Finance Public Company Limited is with a sound and proper business plan for setting up a restricted bank. Subsequently, banking license has recently been signed and granted on 3 January 2002.

1.3.17 The revision of the notification issued by the Ministry of Finance, regarding the usage of Internet network for undertaking of finance companies and credit foncier companies' business. The essence is to expand the usage of Internet network by the finance companies and credit foncier companies to conduct all kinds of their business transactions, including any business transactions permitted by the BOT under the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business B.E. 2522, along the predetermined procedure and criteria specified in the notification.

1.3.18 Amended a draft of the act on financial institutions businesses B.E....

2. Financial institutions supervision support

2.1 Restricted types of business to ones deal with foreigners, that were allowed to apply for moneychanger licenses.

2.2 Set annual holidays for commercial banks, finance companies and credit foncier companies for 2002.

2.3 Providing and clarifying the details for the Joint Committee (House of Representatives and Senator) in considering the draft of Credit-Information Business B.E...., which is under the process of consideration.

2.4 Be responsible for the research project of surveying the customers' satisfaction with locally-incorporated commercial banks and providing the reports in both the overall banking sector and individual bank.

2.5 The BOT has participated in formulating outlines for supervisory policies on Specialized Financial Institutions (SFIs) in committees and working groups led by the Ministry of Finance. The contribution includes reviewing the reports submitted by the consultant firms for SFI-related projects, such as the Asian Development Bank Loan Project on Restructuring of SFIs and the World Bank Project on Strengthening Supervision of SFIs. In addition, the BOT has submitted the proposal for the establishment of Mortgage Company as requested by the Ministry of Finance.

2.6 Risk management of financial institutions

2.6.1 In October 2001, the BOT had organized the seminar titled "Market Risk Management Technique for the BIS Capital Regime" where the Governor of the BOT announced that domestic financial institutions are to begin calculating the market risk capital charge, based on the 1996 BIS Capital Accord, by 2002, and to have final implementation of the aforementioned capital charge tentatively by 2003.

The seminar included discussions on market risk management in volatile markets, development and implementation of the Market Risk Model, the model's Stress Test/Back Test, and the behaviour of Thai financial assets and the implications for the BIS Type Standardized Model on Thailand's domestic financial institutions.

2.6.2 In preparation for BIS New Capital Accord, Thailand's Working Group, comprised of representatives from the BOT, Thai Bankers' Association, Foreign Banks' Association, and Association of Finance Companies, conducted studies and surveys on the pros and cons, as well as the implications of New Capital Accord on domestic financial institutions. As a result, the Working Group presented Thailand's official position on the New Capital Accord to the Basel Committee in May 2001, and have given various briefing to members of the financial institutions on the details of the New Capital Accord.

2.7 During the second round of negotiation on the liberalization of financial services (1999-2001) among ASEAN member countries, at least one additional common sub-sectors were submitted for commitment by each member. In the case of Thailand, the offer on the following 2 sectors were submitted.

2.7.1 Insurance Sector: The scope of commitment on insurance consultancy services was extended to cover pension consultancy services.

2.7.2 Securities Sector: The number of expatriates allowed to work for the representative office of securities company was increased.

E. Financial Institutions Supervision

1. Examination planning

Examination Plan is a part of the Supervision Group's annual work plan and strategic plan, which are developed annually to ensure resource allocation efficiency within the Group. The Examination Plan determines duration and the number of examiners needed in each examination as well as its frequency (at least once a year) and monthly monitoring requirement.

2. Financial institutions examination

2.1 Examination scope

In 2001, the Supervision Group focused on assessing financial institutions' risk and their risk management quality. This approach emphasised on 5 risk areas - strategic risk, credit risk, market risk, liquidity risk, and operational risk. The scope also entailed examination of the new business activities such as Internet banking, evaluation on compliance of foreign commercial banks' branches and representative offices, and special examination, e.g., programmes upon request of the BOT's Litigation Group or the public, etc.

2.2 Examination results

Of the 126 financial institutions under supervision of the Group, On-Site examinations were conducted on 84 locations as shown below.

Table 16 : The number of financial institutions supervised by the Supervision Group in 2001

Financial Institutions	No.	No. of On-Site Examination	
		Head Office	Branch
Thai Commercial Banks	13	13	2 (District)
Foreign Commercial Banks	18	18	—
International Banking Facilities (IBFs)	10	7	—
Finance/Finance and Securities Companies	21	18	—
Credit Foncier Companies	9	6	—
Foreign Commercial Bank Representative Offices	31	—	—
Specialized Financial Institutions	24	20	—
Total	126	82	2

The examination results indicated that most financial institutions' rating and performance were at moderate level. Loan growth was still limited. NPLs figure reduced mostly as a result of financial institutions' problem loan transferred to Asset Management Companies (AMCs) and the Thai Asset Management Corporation (TAMC). Despite financial institutions' operating loss from the provision requirement, all financial institution's capital adequacy ratios are well above the minimum legal requirement.

2.3 Information system examination

The Supervision Group conducted risk assessment on information system for 13 financial institutions in 2001. Seven of which were Thai commercial banks, 2 were finance companies and 4 were Specialized Financial Institutions.

E-Banking Examination Team was set up to support the financial institutions supervision's strategic planning, following guidelines from the Bank for International Settlements (BIS) and other US-based supervisory agencies together with on-the-job training experience and discussion with the related institutions.

2.4 Special examination

The Supervision Group also performed special examination programmes upon request from the Financial Institutions Development Fund (FIDF) or other Groups. The programmes included sampling test on foreign exchange transactions, reviewing Yield Maintenance Fee, and reviewing NPLs to be transferred to AMCs.

3. Financial institution Off-Site monitoring

In 2001, 95 financial institutions (excluding foreign commercial bank representative offices) were proactively monitored and reported on a quarterly basis to ensure stability of the overall financial condition. Thai financial institutions analyses are issued quarterly while those of foreign commercial bank or International Banking Facilities (IBFs) are issued semi-annually. Both internal and external sources of information were used in combination with financial modelling tools and financial institution management interviews to further enhance examination's efficiency.

4. Financial institutions supervision

4.1 The Supervision Group approved, waived or licensed financial institutions' requests within the authority assigned by the Ministry of Finance. There were a total number of 2,013 cases completed in 2001.

4.2 Compliance supervision

The Supervision Group also diagnoses financial institutions' activities in the sophisticated cases, which might lead to financial institutions' failures to

conform to legal requirement. The scope of compliance supervision also covers any other issues which relate to a draft of new Financial Institution Act. With the co-ordination from the Litigation Group and the Legal Group, the Supervision Group investigated such cases on 3 financial institutions in 2001. In addition, filing documentation of the closed down finance companies, submitting evidence to court according to the summons, and collecting fines from financial institutions were conducted last year.

5. Supervision efficiency enhancement

The Supervision Group completed re-engineering at the beginning of 2001. The Supervision Group's examination approach has focused more on risk-based supervision. This improvement also covered separating Off-Site and On-Site functions to ensure consistently, timely and proactive supervision.

Examination manuals, examination reports and operating manuals were developed in accordance with the related risk-based supervision.

In co-operation with the technical assistants provided by the World Bank, appropriate advices and training were conducted including Information System and E-Banking examination, Commission Examination design, Supervision Information System (SIS) design, as well as examination quality assurance.

Communication with stakeholders was one of the Group's priorities. The Group arranged a forum with financial institutions on its new organizational structure and operations. Monthly seminars with Financial Institutions Policy Group were conducted to discuss and be informed on financial institution policies. Moreover, a number of seminars, lectures and workshops on other supervision related topics were held in 2001.

Not only Risk Management Profile is developed to better support On-Site and Off-Site examinations, but also SIS is currently under development. This system will gather and categorize supervision information to enhance utilization of the information within the Group.

To further enhance examiners' efficiency, the Group determined 5 compulsory courses for examiners. This programme has been provided since 1999 by co-operation from the Federal Reserve Board (FRB) and the Federal Deposit Insurance Corporation (FDIC)'s experts under World Bank's support. The courses were designed to meet international standard and more focused on risk-based examination. All new examiners, who are not yet appointed as Commissioned Examiner, are required to take this development and assessment including taking the 5 core courses, test of knowledge and competence, and behavioural assessment test. Commissioned Examiners will be regularly appraised on their capabilities to ensure that their skills and knowledge are in trend with recent examination issues.

Quality assurance and development of supervision are carried out through the process of reviewing and verifying outcome of examination for each financial institution to guarantee the same level of high quality and up to standard. In addition, Financial Institutions Examination Development Sub-committee will provide a final review and verification of the examination result to ensure quality and alignment with the financial institution supervision policy.

BOT's Participation in International Organizations

Association of Southeast Asian Nations, People's Republic of China, Japan and Republic of Korea — ASEAN+3

During the year 2001, the Governor of the Bank of Thailand signed the agreements governing the Bilateral Swap Arrangement (BSA) between the Bank of Japan and the BOT and the BSA between the People's Bank of China and the BOT under the Chiang Mai Initiative. Under the arrangements, Japan and China will provide loans to Thailand amounting to US\$3 billion and US\$2 billion, respectively. These arrangements have been guaranteed by the Ministry of Finance of Thailand.

Bank for International Settlements — BIS

In 2001, the BOT received a dividend payment on its shares at the rate of SFr360 per share for each of its 3,000 shares held (a total of SFr1.080 million) since the BOT became a BIS shareholder on 1 March 2000. In addition, the BOT became a member of the BIS Data Bank project on 1 March 2001, allowing the BOT to access data on the Macro Economic Statistics and International Financial Statistics of other central banks.

The Executives' Meeting of East Asia-Pacific Central Banks — EMEAP

In 2001, the following EMEAP activities were held:

1. EMEAP Governors' Conference: Deputy Governor, Monetary Stability, attended the 6th EMEAP Governors' Conference in Australia on 23 July 2001. The topics of discussion centred on promoting financial stability and the economic developments and issues in the EMEAP Region. The Conference paid particular attention to the impact of the United State slowdown on EMEAP economies.

2. EMEAP Deputy Governors' Meeting: Deputy Governor, Monetary Stability, attended 2 Deputy Governors' Meetings in 2001 - on 26 March 2001 in People's Republic of China and on 3 December 2001 in New Zealand. The Meetings discussed the economic development in the EMEAP Region, the impact of the United State slowdown on EMEAP economies, and the volatility of G-3 currencies.

3. EMEAP Working Groups: Each Working Groups held 2 meetings in 2001

- 3.1 Working Group on Banking Supervision
- 3.2 Working Group on Payment and Settlement Systems
- 3.3 Working Group on Financial Markets

International Monetary Fund — IMF

In 2001, two meetings of the International Monetary and Financial Committee (IMFC) – the policy-making body of the IMF – were held. The Spring Meeting was held on 29 April 2001 in Washington, D.C., and the Fall Meeting was held on 17 November 2001 in Ottawa, Canada. Main topics of discussion included the role of developed countries to stimulate the global economy, the reduction of trade barriers and increase of market access for developing countries, as well as strategies to combat money laundering and fighting terrorist financing.

As far as the relations with Thailand are concerned, IMF officials have been dispatched to Thailand every quarter to assess the Thai economy as part of the IMF's Article IV Consultations and the Post-Programme Monitoring scheme.

South-East Asian Central Banks — SEACEN

The Monetary Authority of Singapore hosted the 36th SEACEN Governor's Conference during 1-2 June 2001 to exchange views on financial stability in Asia, financial sector reforms, and the challenges confronting the development of Asian Economies after the crisis. As for the SEACEN Centre, a total of 21 programmes were held, to which a total of 54 staff from the BOT attended.

Central Banks in South-East Asia, New Zealand, and Australia — SEANZA

In 2001, the Hong Kong Monetary Authority convened the SEANZA Advisors' Meeting during 20-21 September 2001 to prepare for the 24th SEANZA Central Banking Course and the Governors' Symposium in 2002. The Meeting set parameters for the Central Banking Course and selected the theme for the Governors' Symposium, which will be held in Hong Kong in the fourth quarter of 2002.

Corporate Debt Restructuring

The slow economic growth over 2001 has hindered the rapid resolution of non-performing loans (NPLs) in the financial system this year. Most of the reduction of NPLs in the financial system is due to the transfer of NPLs from financial institutions to their asset management companies as well as the transfer of sub-standard debts to the Thai Asset Management Corporation (TAMC). As of

end - November 2001, NPLs represent 11.90 percent of credits outstanding in the financial system, compared with 17.90 percent at the end of 2000.

In 2001, the Corporate Debt Restructuring Advisory Committee (CDRAC) had focused on bringing small and medium-sized debtors, especially viable Small and Medium Enterprises (SMEs), into the CDRAC restructuring process because most large debtors in the system had already been approved as target debtors during the previous two years of the CDRAC. During the year, a total of 2,830 debtors with credits outstanding of B23,133 million were approved as the CDRAC's target debtors compared to 6,471 cases with credits outstanding of B277,352 million the previous year, reflecting a decrease by 56.27 percent and 91.66 percent, respectively. Since June 2001, the CDRAC has intentionally decelerated the approval of new target debtors in order to attend to the progress and developments of transferring legally qualified assets to the TAMC.

At end - 2001, 10,107 debtors with credits outstanding of B1,275,313 million have been restructured. This reflects an increase of 3,868 debtors with credits outstanding of B119,950 million, or 61.99 percent and 10.38 percent, respectively, from end-2000. Most of successfully restructured cases this year are of the small and medium-sized debtors in the commerce sector, personal consumption sector, and the manufacturing sector.

At end - 2001, a total of 4,681 CDRAC target debtors with credits outstanding of B1,185,168 million have been filed or are in the process of being filed in court. This comprises of a total of 3,118 debtors with credits outstanding of B798,050 million which refused to enter into the process in the first place and 1,563 debtors with credits outstanding of B387,118 million which signed onto the restructuring process but were unable to successfully restructure their debts.

Measures to support corporate debt restructuring

In 2001, the BOT's Corporate Debt Restructuring Group (CDG) has continued to do its utmost to facilitate the debt restructuring process of debtors. Particularly, the CDG has co-ordinated with the Ministry of Finance and the Ministry of Interiors to extend the period of benefits involved in successful corporate debt restructuring. The benefits, which were to expire at the end of 2001, have been approved by the Cabinet for one-year extension to the end of 2002.

The CDG has also co-ordinated with the Ministry of Justice to establish an in-court mediation process by joining the board of the "In-court Mediation Committee" and the "In-Court Mediation Subcommittee", which are continued efforts since 2000. The "Financial Dispute Mediation Center" was officially established on 4 April 2001. The CDG also co-ordinated the meetings between the Office of the Court of Justice and financial creditors in order to publicize the role of the Financial Dispute Mediation Center. The CDG has further assisted the Financial Dispute Resolution Office

of the Office of the Court of Justice in establishing a database of debtors who have been filed in court.

In 2001, the CDG co-ordinated with the Ministry of Commerce in responding to two separate cases of Antidumping and Countervailing Duty investigations by the Governments of the United States of America and Canada, respectively, against two target debtors in the steel industry. Concerns of whether corporate debt restructuring under the CDRAC process was in any way unfairly supporting the debtors were effectively and successfully disproved.

The CDG has continued to be actively involved in disseminating information about debt restructuring and financial assistance to the general public by organizing seminars with a grant from the Japanese Government administered by the World Bank. Seminars entitled "How Small Business can Reorganize Themselves Financially" have been organized to focus on SMEs. Seminars have been organized in the central region and throughout other regions. Information about debt restructuring and benefits has also been compiled into a CD-ROM, which has been distributed to financial institutions, business operators and other interested debtors. A book entitled "Corporate Debt Restructuring: Lessons from the Aftermath of the Thai Economic Crisis", which incorporates the experience of all parties involved in debt restructuring, is also to be distributed to the public.

**THE REPORT FROM THE INTERNAL AUDIT
COMMITTEE OF THE BANK OF THAILAND**



The report from the Internal Audit Committee of The Bank of Thailand

The Internal Audit Committee of the Bank of Thailand comprises 3 independent directors, namely, The Chairman, Mr. Kiatisak Jirathiranarth and 2 other directors, Professor Dr.Bhavornsak Uwanno and Miss Chusri Duangprapai. The Committee is entrusted with supervisory oversight on good governance, control, risk management and audit on behalf of the Court of Directors of the Bank of Thailand.

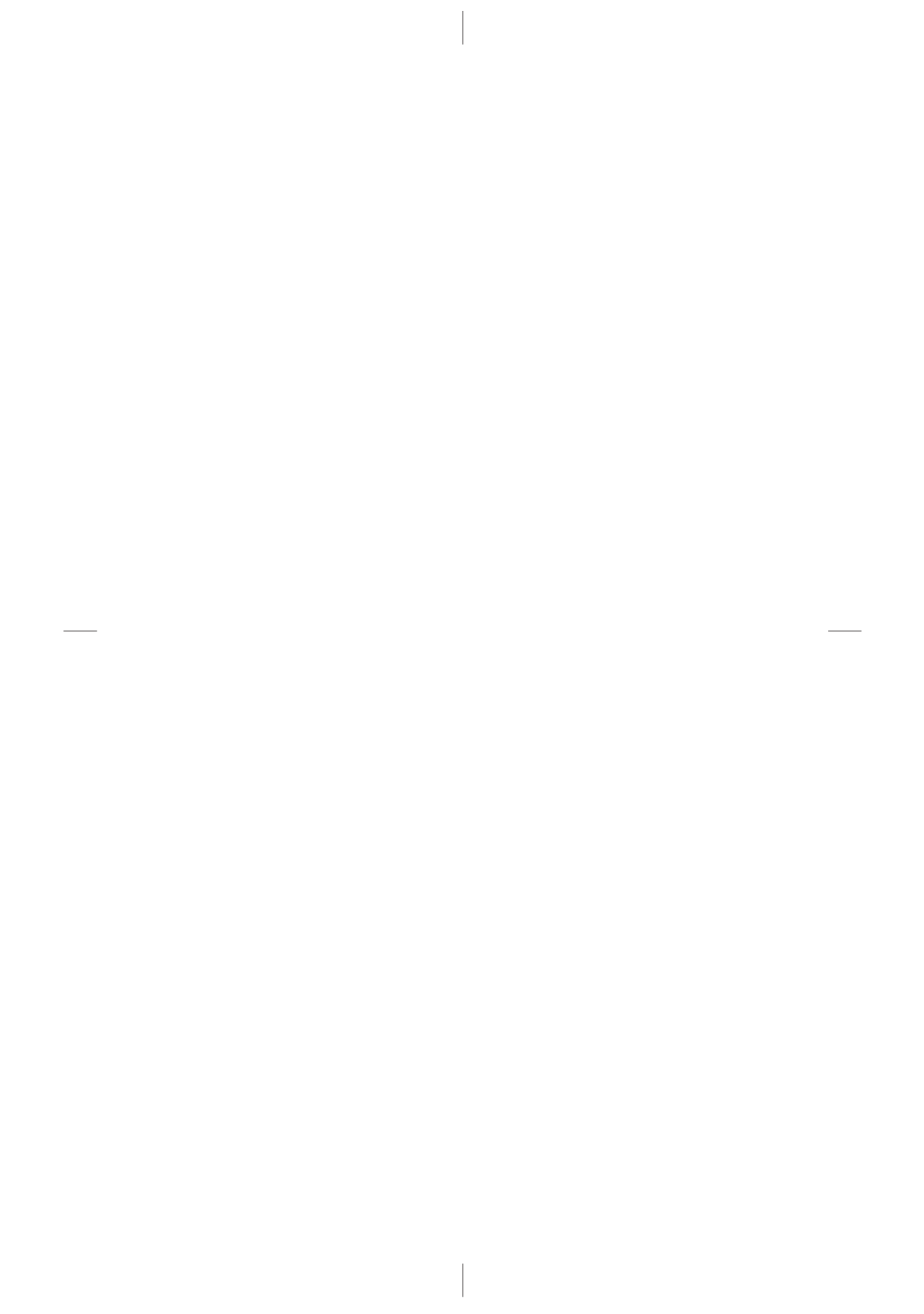
Each year, the Committee convenes 4 meetings under normal sessions with preannounced agendas that correspond with its operational objectives. In the year 2001, an addition meeting was held under a special session.

The main mission of the Committee is to create and maintain adequacy, appropriateness and effectiveness with respect to good governance, internal control system and enterprise-wide risk management within the Bank of Thailand. To fulfill its mission, the Committee oversees and supervises the Management on the policy strategy and best practices to be incorporated in the framework, operating procedures, policy direction and process of internal audit in line with risk - based internal audit.

The Committee has conducted reviews and discussions on the issue of information disclosure in financial reports with the management, external auditors and internal audits to ensure that the financial reports are prepared in compliance with the generally accepted accounting principles under appropriateness and effectiveness of the BOT's internal control system.

In performing its duties, the Committee is fully independent from the Management and follows the Charter approved and annually reviewed by the Court of Directors who evaluates the Committee's performance.

(signed) Kiatisak Jirathiranarth
(Mr. Kiatisak Jirathiranarth)
Chairman, Internal Audit Committee
7th March 2002



**REPORT OF THE AUDITORS
AND
FINANCIAL STATEMENTS
FOR THE YEARS 2001 AND 2000**



Report of the Auditors

To the Minister of Finance

We have audited the Balance Sheet as of December 31, 2001 and 2000, and the Profit and Loss Account for each year then ended of the Bank of Thailand (excluding the Issue Department). 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 10 to the financial statements, the Bank of Thailand recorded the unrealized loss from foreign exchange revaluation, under managed float system, of foreign assets and liabilities as deferred assets which had been amortized over 5 years. This decision is reasonable and conforms to certain central banks practice. However, if the Bank of Thailand followed generally accepted accounting principles, total assets would be decreased by Baht 16,683.6 million in 2000. Additionally, if the Bank of Thailand recorded the unrealized loss as expense in 1997, the losses from foreign exchange of 2001 and 2000 would be decreased by Baht 16,683.6 million, and net losses would be decreased by an equivalent amount.

In our opinion, except for the effects in the third paragraph, the aforementioned financial statements present fairly, in all material respects, the financial position as of December 31, 2001 and 2000, and the results of operations for each year then ended of the Bank of Thailand (excluding the Issue Department), in accordance with generally accepted accounting principles.

(signed) Jerarat Noppawong Na Ayutthaya
(Mr. Jerarat Noppawong Na Ayutthaya)
Deputy Auditor General

(signed) Pongchan Laosutiwong
(Ms. Pongchan Laosutiwong)
Auditor In-charge

The State Audit Office
March 8, 2002

Bank of Thailand
Balance Sheet
As of December 31, 2001 and 2000

ASSETS	2001 Baht	2000 Baht
Cash and Deposits		
Cash	4,762,286,473.58	7,021,003,131.84
Balance at the Treasury	9,157,592,348.98	6,082,092,805.16
Deposits at banks abroad (Note 3)	<u>80,189,486,613.08</u>	<u>42,183,401,826.87</u>
	<u>94,109,365,435.64</u>	<u>55,286,497,763.87</u>
Holdings of Special Drawing Rights (Note 4)	<u>232,469,582.12</u>	<u>3,575,399,188.32</u>
Investments (Note 5)		
Domestic Securities	106,788,979,017.52	123,003,864,437.22
Foreign Securities	<u>247,277,728,645.87</u>	<u>168,325,345,029.73</u>
	<u>354,066,707,663.39</u>	<u>291,329,209,466.95</u>
Securities purchased under resale agreements (Note 6)	<u>290,760,000,000.00</u>	<u>430,278,000,000.00</u>
Loans and Promissory Notes		
Loans (Note 7)	2,821,767,733.41	3,302,300,533.41
Promissory Notes (Note 8)	<u>11,462,024,900.00</u>	<u>8,985,616,300.00</u>
	<u>14,283,792,633.41</u>	<u>12,287,916,833.41</u>
Other Assets (Note 9)	90,842,221,233.17	74,513,504,461.48
Deferred Unrealized Loss from Foreign Exchange under Managed Float System (Note 10)	<u>0.00</u>	<u>16,683,574,082.77</u>
Total Assets	<u><u>844,294,556,547.73</u></u>	<u><u>883,954,101,796.80</u></u>

The accompanying notes form part of these financial statements.

Bank of Thailand
Balance Sheet
As of December 31, 2001 and 2000

LIABILITIES AND CAPITAL	2001 Baht	2000 Baht
Deposits		
Government	26,563,419,234.83	35,899,599,188.77
Banks	49,989,433,538.92	55,954,085,393.56
Others (Note 11)	<u>423,448,395,992.51</u>	<u>436,714,976,851.02</u>
	500,001,248,766.26	528,568,661,433.35
Allocations of Special Drawing Rights (Note 12)	4,700,930,167.99	4,771,546,136.07
Securities sold under repurchase agreements (Note 6)	220,541,000,000.00	217,878,000,000.00
Bank of Thailand Bonds	0.00	1,625,153,493.32
Other Liabilities (Note 13)	<u>256,099,370,738.28</u>	<u>259,528,357,837.72</u>
Total Liabilities	<u>981,342,549,672.53</u>	<u>1,012,371,718,900.46</u>
Capital		
Initial Capital	20,000,000.00	20,000,000.00
Deficit	(129,061,692,851.19)	(76,126,519,093.92)
Reserve for Stabilization of Profit payable to the Government	624,075,747.53	624,075,747.53
Profit and Loss for the year	<u>(8,630,376,021.14)</u>	<u>(52,935,173,757.27)</u>
Total Capital	<u>(137,047,993,124.80)</u>	<u>(128,417,617,103.66)</u>
Total Liabilities and Capital	<u>844,294,556,547.73</u>	<u>883,954,101,796.80</u>

The accompanying notes form part of these financial statements.

(signed) Pridiyathorn Devakula
(M.R. Pridiyathorn Devakula)
Governor

(signed) Techapit Sangsingkeo
(Mr. Techapit Sangsingkeo)
Deputy Governor, Corporate Support Service

(signed) Pranee Lelashevasith
(Ms. Pranee Lelashevasith)
Director, Accounting Group

Bank of Thailand
Profit and Loss Account
For the year ended December 31, 2001 and 2000

	2001 Baht	2000 Baht
Revenues		
Interest	20,258,334,613.79	22,732,918,777.59
Discount	404,874,289.91	1,375,354,127.33
Commission	196,657,776.63	185,778,126.33
Others (Note 14)	<u>9,513,488,584.38</u>	<u>3,257,037,354.85</u>
Total Revenues	<u>30,373,355,264.71</u>	<u>27,551,088,386.10</u>
Expenses		
Salaries, wages and remunerations	2,052,317,605.38	2,074,677,623.19
Other expenses (Note 15)	19,937,029,522.69	61,395,759,818.66
Provision for provident fund and pension fund	<u>330,810,075.01</u>	<u>332,250,618.77</u>
Total Expenses	<u>22,320,157,203.08</u>	<u>63,802,688,060.62</u>
Net Operating Profit (Loss)	8,053,198,061.63	(36,251,599,674.52)
Less : Amortization of deferred unrealized loss from foreign exchange under managed float system	<u>16,683,574,082.77</u>	<u>16,683,574,082.75</u>
Net Profit (Loss)	<u>(8,630,376,021.14)</u>	<u>(52,935,173,757.27)</u>

The accompanying notes form part of these financial statements.

BANK OF THAILAND
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2000

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, excluding the accounts of the Issue Department, the Note Printing Works 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

Since the BOT is responsible for conducting monetary policy, managing the international reserves, and acting as "lender of last resort" to the financial institutions, investments in securities are stated at cost after amortization of the premium or discount.

2.4 Loans and Promissory Notes

Loans and Promissory Notes are stated at carrying balances of principals.

2.5 Property, plant and equipment

Property, plant and equipment are reported at cost after depreciation.

Buildings and equipment over Baht 10 million are capitalized. The depreciation is allocated by the straight-line method over the estimated useful lives of the assets:

Buildings	5 - 10 years
Equipment	3 - 5 years

The cost of fixed assets jointly used by the Banking Department, the Issue Department, the Note Printing Works, the Exchange Equalization Fund and the Financial Institutions Development Fund is allocated to each department according to space proportion basis and actual usage.

2.6 Foreign Currency Transactions

During the year then ended, all transactions in foreign currencies are recorded at annual book rates (the rates on the last working day of the preceding year). Discrepancies of the actual and the book rates are recorded in the profit and loss account. At year-end, the balances of foreign assets and liabilities are translated into Baht at new exchange rates prevailing on the balance sheet date. The discrepancies derived from the translation are also recorded in the profit and loss account.

2.7 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.

2.8 Pension Fund and Provident Fund

2.8.1 Pension Fund The Bank of Thailand's Rules and Regulations for Pension Fund B.E. 2539 stated 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 when leaving the BOT according to the stipulated conditions. In addition, the Bank of Thailand's Rules and Regulations for Pension Fund (Amendment No.2) B.E. 2543 have stated the basis of calculation for the employee's benefits. The BOT has to maintain provisions in accordance with these rules and regulations.

2.8.2 Provident Fund The Bank of Thailand's Rules and Regulations for Provident Fund B.E. 2539 stated 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. Deposits at banks abroad

As of December 31, 2001, deposits at banks abroad had the outstanding balance of Baht 80,189.5 million. This amount included SDR Fixed Deposits which BOT, with the approval of the Ministry of Finance, has provided as a financial assistance to the PRGF - HIPC Trust (Poverty Reduction and Growth Facility - Heavily Indebted Poor Countries), which is managed by the International Monetary Fund (IMF). The deposits exist in the form of interest-free deposits and amounted to SDR 6.1 million, equivalent to Baht 340.3 million. According to the agreement, the deposits will mature at the end of life of the Trust, but cannot exceed 19 years as from January 1, 2000.

4. Holdings of Special Drawing Rights

As of December 31, 2001, the Holdings of Special Drawing Rights in International Monetary Fund amounted to SDR 4.2 million, an equivalent of Baht 232.5 million.

5. Investments

The domestic and foreign securities of Baht 106,789.0 million and Baht 247,277.7 million, respectively, had the market values as of December 31, 2001 of Baht 113,847.8 million and Baht 248,491.2 million, respectively.

6. Securities purchased under resale agreements and Securities sold under repurchase agreements

As of December 31, 2001, the securities purchased under resale agreements and the securities sold under repurchase agreements had the outstanding balances of Baht 290,760.0 million and Baht 220,541.0 million, respectively. The net purchase position was Baht 70,219.0 million.

7. Loans

Loans to the financial institutions are comprised of:

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
Financial Assistance to Export Sector	2,793.5	3,274.0
Others	<u>28.3</u>	<u>28.3</u>
Total	<u>2,821.8</u>	<u>3,302.3</u>

8. Promissory Notes

In order to grant credits to the economic sectors, the following promissory notes have been purchased through the financial institutions.

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
Promissory Notes - Agricultural Sector	1,893.2	1,418.3
Promissory Notes - Export Sector	478.5	755.2
Promissory Notes - Industrial Sector	291.4	397.4
Promissory Notes - Small and Medium Enterprises (SMEs)	<u>8,798.9</u>	<u>6,414.7</u>
Total	<u>11,462.0</u>	<u>8,985.6</u>

9. Other Assets

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
Quota Subscribed to IMF	60,080.5	60,983.0
Foreign securities purchased under resale agreements	18,125.4	—
Investment in other organizations	1,819.9	1,780.2
Property, plant and equipment	4,003.5	3,920.8
Staff Loans	1,723.7	1,689.5
Others	<u>5,089.2</u>	<u>6,140.0</u>
Total	<u>90,842.2</u>	<u>74,513.5</u>

9.1 Quota Subscribed to International Monetary Fund (IMF)

Quota Subscribed to IMF represents the balance paid in foreign currencies and Baht. As of December 31, 2001, the outstanding amount was SDR 1,081.9 million, an equivalent of Baht 60,080.5 million.

For the balance paid in Baht, a corresponding liability exists in the form of IMF Current Account (Note 11.1), and Non-Negotiable and Non-Interest Bearing Promissory Notes (Note 13).

9.2 Foreign securities purchased under resale agreements

Foreign securities purchased under resale agreements are repo-type transactions between BOT and international financial institutions and are used to enhance the returns of international reserves under management. As of December 31, 2001, the outstanding balance of securities was Baht 18,125.4 million, equivalent to US\$ 409.8 million.

9.3 Investment in other organizations

The BOT acquired 3,000 shares (25% paid) of the Bank for International Settlements (BIS).

9.4 Property, plant and equipment

Unit : Million Baht

	Balance	Changing in Book Value		Balance
	Jan 1, 2001	Increase	Decrease	Dec 31, 2001
Land	2,495.4	—	—	2,495.4
Buildings	1,898.5	67.8	—	1,966.3
Equipment	<u>350.2</u>	<u>225.5</u>	<u>—</u>	<u>575.7</u>
Total	4,744.1	293.3	—	5,037.4
Less : Accumulated depreciation	<u>(823.3)</u>	<u>(210.6)</u>	<u>—</u>	<u>(1,033.9)</u>
Property, plant and equipment, net	<u><u>3,920.8</u></u>	<u><u>82.7</u></u>	<u><u>—</u></u>	<u><u>4,003.5</u></u>

The depreciation of buildings and equipment for the year was Baht 210.6 million.

10. Deferred Unrealized Loss from Foreign Exchange under Managed Float System

In 1997, the BOT introduced Managed Float System and had the unrealized loss from foreign exchange revaluation of Baht 83,417.9 million. From 1997 fiscal period, this unrealized loss had been amortized over 5 years, approximately Baht 16,683.6 million per year. As a result, as of December 31, 2001, this unrealized loss had no longer existed.

11. Other Deposits

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
IMF Current Account	114,773.8	147,433.4
Current Account under Swap Agreement	136,637.0	207,938.0
Foreign currencies deposits from the Government and state enterprises	3,218.9	2,241.4
Deposits from financial institutions and other organizations	<u>168,818.7</u>	<u>79,102.2</u>
Total	<u>423,448.4</u>	<u>436,715.0</u>

11.1 International Monetary Fund (IMF) Current Account

IMF Current Account includes liabilities under IMF Stand-by Arrangement which is a part of the IMF Support Package. As of December 31, 2001, the outstanding liabilities amounted to SDR 1,337.5 million, an equivalent of Baht 77,173.4 million (2000: SDR 2,350.0 million, an equivalent of Baht 117,954.1 million).

At year-end, the total amount is revalued against the SDR at the exchange rates prevailing on the balance sheet date. Adjustments on revaluations are recorded in the "Valuation Adjustments - IMF Current Account" (Note 13).

11.2 Current Account under Swap Agreement

Current Account under Swap Agreement represents liabilities to the central banks under Currency Swap Agreement which is a part of the IMF Support Package. The balance, as of December 31, 2001, was Baht 136,637.0 million, equivalent to US\$ 3,071.5 million (2000 : Baht 207,938.0 million, equivalent to US\$ 4,906.5 million).

At year-end, the amount is revalued at the exchange rates prevailing on the balance sheet date. Adjustments on revaluations are recorded in the "Valuation Adjustments - Current Account under Swap Agreement" (Note 13).

12. 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 2001, the BOT was allocated the balance of SDR 84.7 million, an equivalent of Baht 4,700.9 million.

13. Other Liabilities

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
Non-Negotiable and Non-Interest Bearing		
Promissory Notes payable to IMF	24,824.6	24,824.6
Loans under IMF Support Package	158,066.4	175,227.5
Foreign securities sold under repurchase agreements	72,997.7	20,125.6
Provision for special purpose	-	693.9
Valuation Adjustments - IMF Current Account	(5,243.6)	21,186.4
Valuation Adjustments - Current Account under Swap Agreement	(793.8)	4,327.0
Others	<u>6,248.1</u>	<u>13,143.4</u>
Total	<u>256,099.4</u>	<u>259,528.4</u>

13.1 Loans under IMF Support Package

As of December 31, 2001, the outstanding balance of loans under IMF Support Package was Baht 158,066.4 million, equivalent to US\$ 3,574.0 million.

13.2 Foreign securities sold under repurchase agreements

Foreign securities sold under repurchase agreements are repo-type transactions between BOT and international financial institutions and are used to enhance the returns of international reserves under management. As of December 31, 2001, the outstanding balance of securities was Baht 72,997.7 million, equivalent to US\$ 1,650.5 million.

13.3 Provision for special purpose

In 2001, donated assets receiving from Laungta Mahabua, Royal Thai Army, and Thai Helps Thai Fund, amounting to Baht 693.9 million, were

transferred from the Currency Reserve Account of the Issue Department into the Annual Yields Account to fulfill all donators' intention. Accordingly, the BOT had to withdraw notes from circulation by an equivalent amount (In 2000, the donated assets had been transferred into the Currency Reserve Account. As a result, the BOT had to increase the notes in circulation in accordance with the Currency Act B.E. 2501. Also, the provision had been provided by the BOT). The provision for special purpose, therefore, will no longer be maintained.

14. Other Revenues

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
Gain on foreign currency	6,130.7	–
Net income from repo transactions	2,758.7	2,984.8
Others	<u>624.1</u>	<u>272.2</u>
Total	<u><u>9,513.5</u></u>	<u><u>3,257.0</u></u>

15. Other Expenses

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
Loss on foreign currency	–	35,825.9
Interest expenses on IMF Support Package	17,959.7	23,924.5
Interest expenses on BOT Bonds	72.8	292.8
Depreciation of buildings and equipment	210.6	241.7
Other operating expenses	<u>1,693.9</u>	<u>1,110.9</u>
Total	<u><u>19,937.0</u></u>	<u><u>61,395.8</u></u>

16. Statement of Cash Flows

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
Cash flow from operating activities		
Net Income (Loss)	(8,630.4)	(52,935.2)
Adjustments to reconcile net income (loss) to net cash flow from operating activities:		

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
Net (Increase) Decrease in accrued revenues	988.0	1,052.6
Net Increase (Decrease) in accrued expenses	(5,094.3)	1,312.9
Amortization of premiums (discounts) on securities	1,517.7	874.9
Depreciation expense	210.6	241.7
(Gain) Loss on foreign currency	(16,000.7)	25,906.1
Amortization of deferred unrealized loss from foreign exchange under managed float system	<u>16,683.6</u>	<u>16,683.6</u>
Profit (Loss) from operation before changing in operating assets/liabilities	(10,325.5)	(6,863.4)
(Increase) Decrease in Operating Assets		
Deposits at banks abroad	(40,751.4)	42,249.1
Holdings of Special Drawing Rights	3,000.3	6,410.9
Securities purchased under resale agreements	139,518.0	(67,869.0)
Loans and Promissory Notes	(1,995.9)	(2,726.2)
Investments in Domestic Securities	15,748.0	46,934.3
Investments in Foreign Securities	(81,059.9)	(90,504.9)
Other assets	(17,622.1)	24,721.2
Increase (Decrease) in Operating Liabilities		
Deposits	75,324.6	(22,190.4)
Securities sold under repurchase agreements	2,663.0	45,001.0
BOT Bonds	(1,618.0)	(3,620.0)
Other liabilities	<u>50,382.1</u>	<u>7,741.8</u>
Net cash flow from operating activities	<u>133,263.2</u>	<u>(20,715.6)</u>

	Unit : Million Baht	
	<u>2001</u>	<u>2000</u>
Cash flow from investing activities		
Net (Increase) Decrease in property, plant and equipment	(288.5)	(49.9)
Net cash flow from investing activities	<u>(288.5)</u>	<u>(49.9)</u>
Cash flow from financing activities		
Net Increase (Decrease) in Liabilities under IMF Stand-by Arrangement and Current Account under Swap Agreement	(136,117.8)	(7,529.0)
Net cash flow from financing activities	<u>(136,117.8)</u>	<u>(7,529.0)</u>
Effects of exchange rates changes	<u>(26.4)</u>	<u>623.5</u>
Net cash flow from all activities	(3,169.5)	(27,671.0)
Cash as of January 1	<u>17,965.7</u>	<u>45,636.7</u>
Cash as of December 31	<u>14,796.2</u>	<u>17,965.7</u>
Supplementary information for cash flows		
Cash paid during the year		
Interest expenses	23,232.6	23,050.8
Cash and Cash Equivalents		
Cash	4,762.3	7,021.0
Balance at the Treasury	9,157.6	6,082.1
Deposits at banks abroad (at call)	<u>876.3</u>	<u>4,862.6</u>
Total	<u>14,796.2</u>	<u>17,965.7</u>
17. Contingency		
As of December 31, 2001, the BOT has outstanding forward contracts as follows:		
17.1 The BOT has outstanding forward contracts to sell US\$ 2,078.0 million which will be due in 2002. By comparing the forward rate to the 2001		

year-end rate, the BOT would have a contingent gain of Baht 1,013.3 million which will be recorded in the profit and loss account when the contracts are due.

17.2 The BOT has outstanding swap agreements to sell Yen 9,156.0 million, Euro 140.4 million, and buy US\$ 206.3 million in 2002 - 2003. After applying the 2001 prevailing year-end rate, the BOT would have a contingent gain of Baht 522.4 million which will be recorded in the profit and loss account when the contracts are due.

18. Risk Management of International Reserves

18.1 The Monetary Policy Committee (MPC) is responsible for determining the financial risk management framework. The framework covers various aspects of financial risk, setting out the risk management processes for international reserve management. The MPC employs risk analyses and studies carried out by the Risk Management Office to determine the risk management framework, and evaluates performance of international reserve management within this risk framework on a regular basis.

18.2 The Risk Management Office (RMO) plays a key role in setting the risk management framework. The RMO is responsible for studying financial risk technologies and applies them in constructing the international reserve benchmark, identification of key risk factors, modeling and measurement of risk, evaluation of risk-adjusted returns, and the allocation of risk exposure for international reserve management. The RMO also coordinates with the Financial Markets and Reserve Management Department to determine the investment guidelines, as well as the risk management processes for international reserve management. The RMO then presents its conclusions and makes proposals regarding the set up of the risk framework to the MPC for approval.

18.3 The core objectives underpinning risk management practices with respect to international reserve management are:

- (1) To determine the optimal benchmark portfolio allocation (asset and currency allocations) and determine the appropriate risk tolerance level for international reserve management;
- (2) To maintain sufficient liquidity for monetary operations; and
- (3) To manage financial risks according to investment guidelines.

18.4 The risk management policy is embedded within the investment decision-making process of international reserve management.

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MANAGEMENT AND PERSONNEL

Management and Personnel

Modernization Program Progress

Achievements of Modernization Program of the BOT for the year 2001 cover three major areas: continuing projects from the previous year, new projects, and other non-project improvements.

Firstly, there are continuing projects from the year 2001. These projects include the implementation of new processes and organizational structures designed in the previous phase for the Supervision Group, the Note Issue Group, the Financial Markets Operations Group, and the Deposits and Debt Instruments Group. The consolidation of Lampang Branch to the Northern Regional Office has made some progress with careful considerations on staff-related issues and possible impact on the local public. Also the Program Office and Culture Change Project has continued to monitor Bank-wide modernization effort and promote corporate culture essential for good working environment.

Secondly, eight new projects were added during the year. Some of these were re-engineering projects of the BOT's core policy functions, namely the Monetary Policy Group and the Financial Institutions Policy Group. On the strategic capabilities side, Bank-wide Risk Management Project was proposed, and it led to the establishment of the Risk Management Office responsible for advising policies on both market and non-market risks the BOT faces. Other supporting functions namely the Human Resources Group, the General Administration Group, the Accounting Group, the Internal Audit Group, and the Note Printing Works also individually set up either a re-engineering or a work process improvement project. Although most of the projects are Group-owned, they are subject to reporting their progress to the BOT through the Modernization Program Office.

There were also a number of non-project improvements, which aim to enhance the BOT's overall efficiency and credibility. At the top management level, lines of responsibilities and empowerment were redesigned. Also the Information and Public Relations Group, and the Office of the Governor were reviewed and finally combined. The result became the establishment of the Office of the Top Management. The Bank of Thailand Museum and the Library and Archives were detached as independent units. Finally at the departmental level, the Fund Management Group underwent a reorganization to help it handle the workload and responsibility more efficiently. The Security Group was also restructured as equipped with an efficient Access Control System.

Employees Distribution

As of 31 December 2001, the numbers of male and female employees were 2,429 and 2,613 ,respectively, totalling 5,042. The proportion of male to female was 48.18 : 51.82. Of the total, 73.46 percent hold Bachelor's degree and higher (71.31 percent with Bachelor's degree, 27.56 percent with Master's degree and 1.13 percent with Doctoral degree).

During 2002 -2003, the number of employees resigned under the Mutual Separation Plan totalled 349, of which 178 employees resigned on 1 January 2002.

Human Resources Management

Since 1999, the Bank of Thailand has restructured its organization, system, and work process bankwide. Likewise human resources management has changed tremendously in order to facilitate and support those changes in achieving the BOT's core objectives, vision, and shared values effectively.

In 2001, apart from traditional personnel administration, the Human Resources Group introduced many human resources management projects, which included: HRIS (Human Resources Information System) Project, HR Modernization Project, Job Evaluation and Compensation Project, Goal Setting Project, Assessment Centre Project, as well as Mutual Separation Plan. To be in line with these new modernization projects, the Bank of Thailand hired professional consultancy firms to assist in designing them. The purpose was to develop know-how, train and transfer modern management techniques to the employees so that the BOT can improve its overall performance, up to standard of the world leading organizations.

Furthermore, the Human Resources Group had taken into account both short-term and long-term manpower planning in order to develop skills and capabilities as well as to utilize manpower systematically for the optimum benefit of the BOT. Among the newly established systems are Career Development Plan, Performance Management Program, Individual Development Plan, Potential Evaluation, Succession Plan as well as manpower planning.

On training and staff development, the BOT had aimed at providing its staff with technical skills and soft skills to improve their efficiency and to strategically align them with the BOT's core purposes, vision, and shared values.

Court of Directors

As of 31 December 2001

Chairman	M.R. Pridiyathorn Devakula
Vice Chairmen	Mrs. Tanya Sirivedhin Mr. Kitti Patpong-pibul Mr. Pakorn Malakul Na Ayudhya
Director	Mr. Wissanu Krea-ngam Mr. Thienchay Kiranandana Mr. Kiattisak Jelatianranat Mr. Sansern Wongcha-um Mr. Chaiwat Wongwattanasan Mr. Krirk-krai Jirapaet Mr. Chavalit Sethameteekul

Executives of the Bank of Thailand As of 31 December 2001

Governor	M.R. Pridiyathorn Devakula
Deputy Governor, Financial Institutions Stability	Mrs. Tanya Sirivedhin
Deputy Governor	Mr. Kitti Patpong-pibul
Deputy Governor, Monetary Stability	Mr. Pakorn Malakul Na Ayudhya
Deputy Governor, Corporate Support Services	(Vacant)
Assistant Governor, Information Systems	Mr. Techapit Sangsingkeo
Assistant Governor,	
Financial Institutions Policy Group	Mr. Thirachai Phuvanatanarubala
Assistant Governor, Operations	Mr. Chetthavee Charoenpitaks
Assistant Governor, Administration	Mr. Rathakorn Nimwatana
Assistant Governor,	
Financial Markets Operations Group	Mrs. Tarisa Watanagase
Assistant Governor, Fund Management Group	Mr. Chaktip Nitibhon
Assistant Governor, Supervision Group	Ms. Udomsap Techakampuch
Assistant Governor, Strategic Capabilities	Mrs. Nopamart Manoleehagul
Assistant Governor, Monetary Policy Group	Mr. Bandid Nijathaworn

Deputy Governor, Monetary Stability	Mr. Pakorn Malakul Na Ayudhya
Assistant Governor, Monetary Policy Group	Mr. Bandid Nijathaworn
Senior Director, Domestic Economy Department	Mrs. Atchana Waiquamdee
Director, International Economics Department	Mrs. Chittima Duriyaprapan
Director, Monetary Policy Department	Mrs. Amara Sriphayak
Assistant Governor,	
Financial Markets Operations Group	Mrs. Tarisa Watanagase
Senior Director, Financial Markets and Reserve Management Department	Mrs. Tasna Rajatabhothi
Director, Treasury Risk Management and Operation Department	Mr. Somchai Kanjanapisal (Vacant)
Director, Financial Markets Office	
Overseas Representative Offices	
Chief, New York Representative Office	Mrs. Suchada Kirakul
Chief, London Representative Office	Mr. Paiboon Kittisrikangwan

Deputy Governor, Financial Institutions Stability

Assistant Governor,

Financial Institutions Policy Group

Senior Director, Risk Supervision Policy and
Analysis Department
Director, Capital Accord and Information Department
Director, Strategy Development and
International Relation Department

Assistant Governor, Supervision Group

Senior Director, Financial Institutions Monitoring and
Analysis Department
Senior Director, Onsite Examination Department 1
Director, Onsite Examination Department 2
Director, Financial Institutions Applications and
Special Examination Department
Director, Risk Management and
Information System Examination Department
Director, Planning and Development Department

Senior Director, Legal Group

Director, Legal Group
Specialist

Senior Director, Litigation Group

Director, Legal Proceedings Office

Mrs. Tanya Sirivedhin

Mr. Thirachai Phuvanatanarubala

Mr. Samart Buranawanachoke
Ms. Prangtip Busayasiri
Mrs. Tongurai Limpiti

Ms. Udomsap Techakampuch

Mr. Adul Dulyapiradit
Mrs. Nongnart Sondysuvan
Mr. Sorasit Soontornkes
Mr. Somkiat Pongtippun
Mr. Preecha Poramapojn
Ms. Pimpa Thawarayut

Mr. Krirk Vanikkul

Mr. Chanchai Boonritchaisri
(Vacant)

Mr. Arkabusik Krairiksh

Mr. Weerachat Sribunma

Deputy Governor, Corporate Support Services

Assistant Governor, Operations

Senior Director, Payment Systems Group
Director, Payment Operations Office
Senior Director, Deposits and Debt Instruments Group
Director, Provincial Deposits and Debt Instruments Office
Senior Director, Note Issue Group
Director, Banknote Management Office
Director, Banknote Service Office
Senior Director, Southern Region Office
Director, Operations Department

(Vacant)

Mr. Chetthavee Charoenpitaks

Mrs. Saowanee Suwannacheep
Mr. Sayan Pariwat
Mr. Tanin Mukdaprakorn
Mrs. Pensri Boonteyakul
Ms. Sompong Yongvanich
Mr. Ithichai Chanthrindhu
Mr. Sommart Sangchanthamane
Mr. Phairoj Hengsakul
Mr. Vichan Amorojanavong

Senior Director, Northeastern Region Office
Director, Operations Department

Mr. Sermsingh Sinhaseni
Mr. Sumart Nukunphadit

Senior Director, Northern Region Office
Director, Operations Department
Director, Lampang Branch

Mr. Chittiphon Sukhakij
Ms. Puengpit Teeraganond
Mr. Jirapong Dibyamondol

Assistant Governor, Administration

Senior Director, General Administration Group
Director, Procurement Office
Director, Building Construction and Renovation Office

Mr. Rathakorn Nimwatana

Ms. Aroonsri Tivakul
Mrs. Anchaneekorn Kulachote
Mrs. Suwannee Jenpanichkarn

Senior Director, Accounting Group
Director, Administrative Finance Office

Mr. Weerasak Rujirakul
Ms. Pranee Lelashevasith

Director, Security Group

Mr. Senesiri Siriwatanakul

Senior Director, Note Printing Works

Director, Note Production Office
Director, Production Support Office
Director, Note Printing Works 2 Project Office

Mr. Nopporn Pramojaney

Mr. Boonsong Chaisa-ard
Ms. Duengdao Sombutsiri
(Vacant)

Director, Library and Archives

Mrs. Sirima Srisomwong

Director, Bank of Thailand Museum

Ms. Porntip Chulanuka

Assistant Governor, Fund Management Group

Senior Director, Fund Operations Department
Director, Assets Management Department 1
Director, Assets Management Department 2
Director, Fund Internal Audit Department
Director, Special Project Department
Director, Legal and Asset Recovery Office

Mr. Chaktip Nitibhon

Ms. Prapai Suwanarat
Mrs. Sunet Ratanavanich
Mr. Wiset Taengnoi
Mr. Prapas Sothornnopabutr
Mrs. Ruchukorn Sangsubhan
Mr. Lertsilp Angkatapimon

(A.) Senior Director,

Corporate Debt Restructuring Group

Director, Corporate Debt Restructuring Office 1
Director, Corporate Debt Restructuring Office 2
Director, Corporate Debt Restructuring Office 3
Director, Corporate Debt Restructuring Office 4
Director, Corporate Debt Restructuring Office 5

Mr. Pisit Samahito

Mr. Pisit Samahito
(Vacant)
(Vacant)
(Vacant)
Mr. Tumnong Dasri

Director, Corporate Debt Restructuring Office 6
Director, Corporate Debt Restructuring Office 7
Director, Corporate Debt Restructuring Office 8
Director, Corporate Debt Restructuring Office 9

Assistant Governor, Information Systems

Senior Director, Data Management Group
Director, Data Provider Relations Department
Senior Director, Information Technology Group
Director, Information and
Administration Systems Office
Director, Financial Systems Development and
Technology Management Office

Assistant Governor, Strategic Capabilities

Director, Strategic Services Group
Senior Director, Human Resources Group
Director, Human Resources Planning and
Development Office
Director, Compensation and
Benefits Administration Office
Director, Training Institute
Director, Modernization Program Office
Director, Risk Management Office

Senior Director, Internal Audit Group

Director, Information Technology and
Note Operations Audit Office

Senior Director, Office of Top Management

Director, Public Communication Office
Director, Office of the Governor

Senior Expert

(Vacant)
(Vacant)
Mr.Boonlerd Leongnarkongdee
(Vacant)

Mr. Techapit Sangsingkeo

Mrs. Swangchit Chaiyawat
Mrs. Poonsin Chalermpong
Mrs. Niyada Kanishtarat
Ms. Napajorn Hemachandra
Mr. Chim Tantiyaswasdikul

Mrs. Nopamart Manoleehagul

Mrs. Sivaporn Krittayarut
Mrs. Kleo-Thong Hetrakul
Ms. Duangmanee Vongpradhip
M.R. Nopkatemanee Tengniyom
Mrs. Vorasulisi Songcharoen
Mr. Krish Follett
Ms. Bhimolban Bavovada

Ms. Nitaya Pibulratanaagit

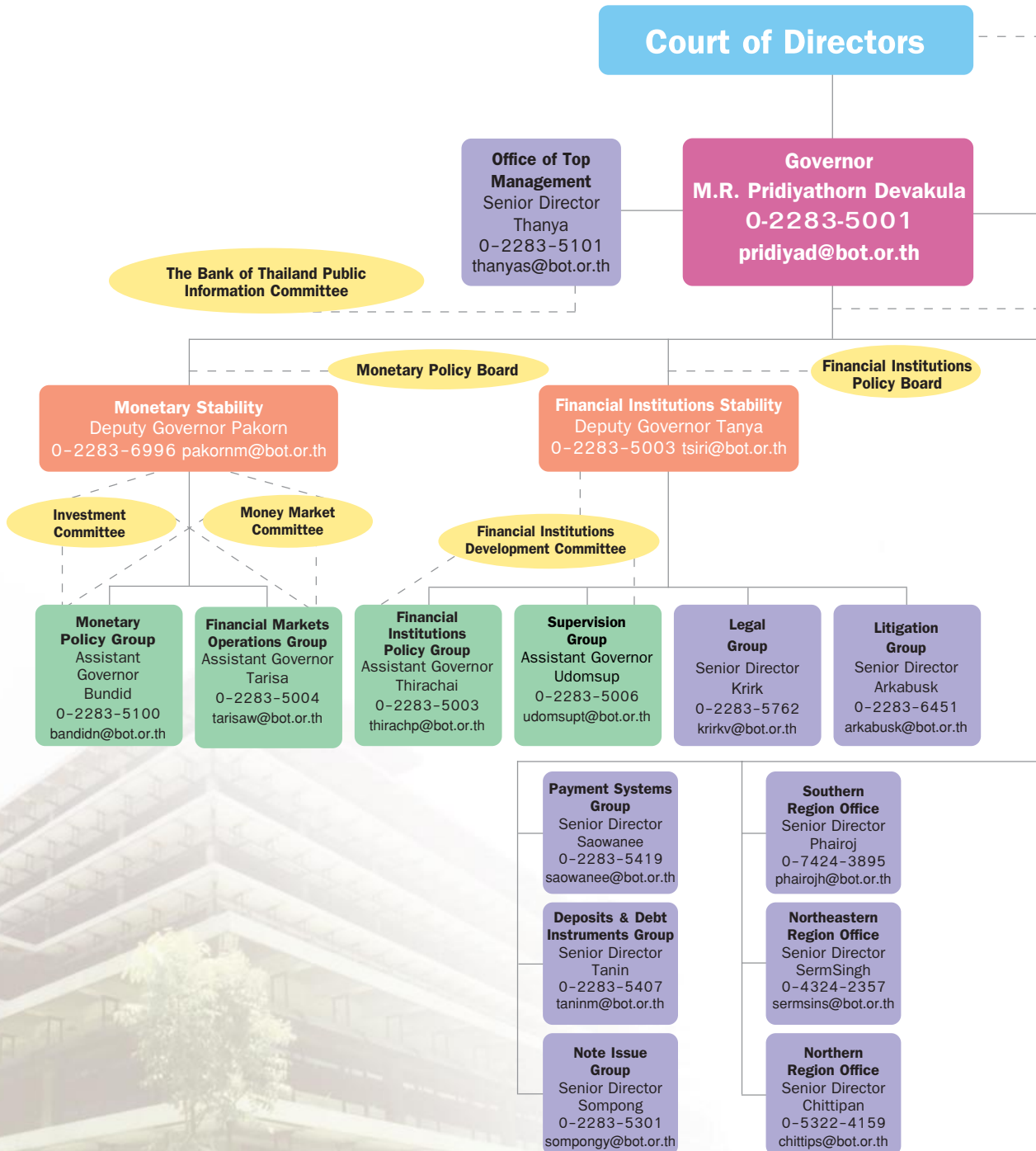
Ms. Anotai Permvudivoranan

Mrs. Thanya Suraswadi

Mr. Oubaur Kruthanooch
Mrs. Nual-anong Angsurat

Mr. Navarat Lekhakula

Bank of Thailand's Organization Chart



as of 31 December, 2001

Audit Committee

Internal Audit Group
Senior Director
Nitaya
0-2283-5702
nitayap@bot.or.th

Top Management Committee

Library and Archives
Director
Sirima
0-2283-5690
sirimas@bot.or.th

Corporate Support Services
Deputy Governor

Bank of Thailand Museum
Director
Porntip
0-2283-5281
porntipc@bot.or.th

Deputy Governor Kitti
0-2283-5008
kittipa@bot.or.th

Payment Committee

FIDF Board

CDRAC Committee

Operations
Assistant Governor
Cheththavee
0-2283-5007
cheththav@bot.or.th

Administration
Assistant Governor
Rathakorn
0-2283-5002
rathakon@bot.or.th

Information Systems
Assistant Governor
Techapit
0-2283-5009
techapit@bot.or.th

Strategic Capabilities
Assistant Governor
Nopamart
0-2283-6901
nopamarm@bot.or.th

Fund Management Group
Assistant Governor
Chaktip
0-2283-5792
chaktipn@bot.or.th

Corporate Debt Restructuring Group
Senior Director
(A.) Pisit
0-2283-5199
pisits@bot.or.th

Accounting Group
Senior Director
Weerasak
0-2283-6971
weerasar@bot.or.th

Note Printing Works
Senior Director
Nopporn
0-2283-6001
noppomp@bot.or.th

IT/User Committee

Human Resource Committee

Modernization Program Steering Committee

General Administration Group
Senior Director
Aroonsri
0-2283-6999
aroonrsr@bot.or.th

Note Printing Board

IT Group
Senior Director
Niyada
0-2283-6050
niyada@bot.or.th

Human Resources Group
Senior Director
Kleo-Thong
0-2283-5501
kleothoh@bot.or.th

Modernization Program office
Director
Krish
0-2283-5600
krishi@bot.or.th

Security Group
Director
Senesiri
0-2283-5680
senesirs@bot.or.th

Data Management Committee

Data Management Group
Senior Director
Swangchit
0-2283-6971
swan@bot.or.th

Strategic Services Group
Director
Sivaporn
0-2283-6900
sivak@bot.or.th

Risk Management Office
Director
Bhimolbun
0-2356-7901
bhimolbb@bot.or.th