

ISBN 974-7341-56-5



# ANNUAL ECONOMIC REPORT



# 2002

## **Dedicated to change for a better Thailand**

### **Core Purpose**

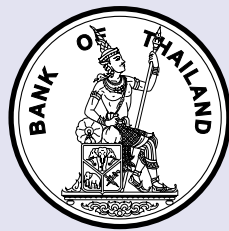
To provide a stable financial environment  
in order to support sustainable economic growth,  
resulting in the continuous improvement of  
the standards of living of the people of Thailand

### **Vision**

A reputable organization commanding public trust and respect

### **Values**

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



# **ANNUAL ECONOMIC REPORT**

## **2002**

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## **SUMMARY REPORT**



## Economic Performance in 2002

The Thai economy is expected to have grown by about 5 percent in 2002, which is higher than the growth rate forecasted by all research houses at the beginning of the year. The expansion took place amidst a fragile global recovery and uncertainty about war between the US and Iraq. Domestic demand, in particular private spending, was the main driving force behind this recovery. At the same time, external demand, as reflected by markedly accelerated exports especially in 2002 H2, also helped to strengthen the economic recovery process.

Even though government expenditure had moderated since 2002 Q2, dampening the stimulus via direct government expenditure compared to the end of 2001, the government continued to play a key role in the economy through other measures. For example, the government initiated measures to support the real estate sector and helped strengthen the consumers' purchasing power, particularly in rural areas.

In the monetary sector, liquidity in the financial system remained high. Ample liquidity combined with policy rate cuts drove down commercial bank rates in 2002. Low interest rates helped stimulate private spending and also helped reduce the cost of borrowing for businesses.

The extension of credits by commercial banks improved in 2002. Personal consumption and housing loans grew positively throughout the year, while industrial, export and commercial loans started to expand in late 2002. Moreover, both consumers and businesses had access to alternative sources of finance. Therefore, they did not need to rely so much on financial institutions' credits as in the past. That is, consumers could borrow from non-financial institutions such as leasing companies while a number of businesses whose performance had improved switched to rely on retained profits or to issue debentures during the period when financial institutions remained quite cautious with regards to credit extension.

Throughout 2002, economic stability remained strong. Headline inflation remained low at the annual average rate of 0.7 percent, even though uncertainty about war had caused oil prices to fluctuate and rise, while floods in 2002 H2 had caused some damage to major crops, leading to an increase in farm prices. Unemployment rate continued to decline from last year, with a particularly strong expansion in employment observed in the non-agricultural sector. With regards to external stability, a continued surplus in the current account allowed for a significant accumulation of international reserves while outstanding external debt declined gradually.

Details of the economic conditions in each sector are as follows:

## **Production, Domestic Demand, and Inflation**

### **Agricultural Sector**

Although floods caused damage to major crops, particularly rice in several plantation areas during 2002 H2, farm income from major crops still surged by 11.1 percent as major crop prices rose by 10.9 percent. This was partly due to an improving trend in world prices and less domestic supply due to floods. Such considerable rise in farm income helped enhance household consumption in the agricultural sector and was hence a major factor supporting strong economic growth in 2002.

### **Industrial Sector**

Manufacturing production expanded favourably in response to a rise in domestic demand and a recovery in exports. The Manufacturing Production Index (MPI) grew on average by 8.4 percent in 2002. Industries experiencing high growth were iron and steel products, electronics, and vehicles. The average capacity utilization rate in 2002 stood at 60.0 percent, up from 53.5 percent in the previous year.

### **Service Sector**

Tourism, the most important industry in the service sector, clearly picked up at the beginning of 2002 as foreign tourists became less concerned about terrorism in the US and war in Afghanistan. At the same time, this sector also benefited from the continued effort of the government to promote tourism in Thailand. Later on when bomb attacks took place in Bali, the Philippines, as well as Southern Thailand in October 2002, concern over the safety of tourists was once again heightened, but the effect seen in November was only a temporary one. Thus, in 2002 the number of foreign tourists increased by 7.1 percent, exceeding the target of 4.4 percent set by the Tourism Authority of Thailand.

### **Private Spending**

Domestic spending, especially private consumption, served as the main driving force behind the economic expansion in 2002. For the entire year, the Private Consumption Index (PCI) expanded by 3.7 percent as a consequence of buoyant demand for durable goods such as passenger cars and motorcycles. This resulted in part from low interest rates and easing financial constraints of households. Moreover, numerous government measures helped raise the consumers' purchasing power, particularly in rural areas. Higher farm income and improved consumer confidence also contributed to a stronger PCI.

With regards to investment, private investment in the construction sector continued to recover well from 2001 H2, especially after the various measures to

stimulate real estate activities started to show a clear positive impact in 2002 Q1. Investment in equipment began to pick up in 2002 Q2, albeit moderately, as excess capacity remained somewhat high in the industrial sector. On average the Private Investment Index (PII) expanded by 23.3 percent in 2002, compared to only 0.2 percent in 2001.

### **Government Spending**

The government continued to maintain an expansionary fiscal stance to help boost economic activities. The budget deficit for FY 2002 was thus set at B200 billion or 3.6 percent of GDP. However, the actual stimulus fell short of expectations as, on the one hand, only B21.3 billion from the allotted reserve fund of B58 billion was spent, given less need to boost the economy, and, on the other hand, revenue substantially exceeded target by B46 billion, reflecting to a large extent a stronger-than-expected economic recovery as well as an improvement in tax administration. Therefore, the government cash balance registered a deficit (excluding principal repayment) of B118.7 billion or 2.2 percent of GDP in FY 2002, somewhat smaller than the deficit of B175 billion (excluding principal repayment) set by the budget.

In FY 2003 Q1, government revenue continued to increase, rising by 18.2 percent year-on-year. However, government expenditure declined by 6.6 percent, due partly to a fall in the budget allocation and partly to a delayed disbursement by a number of governmental organizations as a result of public sector reforms. For the entire quarter, the government ran a cash deficit of B31 billion.

### **Price Level**

Headline inflation stayed low throughout the year, although oil prices rose due to political tensions in the Middle East and floods induced higher prices of vegetables and fruits. For the entire year, headline inflation averaged at 0.7 percent and core inflation was equal to 0.4 percent. Low inflation did not signal an economic slowdown, however, as it was a result of substantial excess production capacity in the economy. Thus, rising demand did not translate into a strong upward pressure on prices.

## **External Sector**

### **Current Account and the Balance of Payments**

In 2002, the current account registered a surplus of US\$7.6 billion, which was higher than the previous year's surplus as the trade account improved with a recovery in exports while the net service income and transfers account recorded a surplus comparable to the earlier year. At the same time, the capital account registered a deficit of US\$4.7 billion, also improving over the previous year as

external debt repayment slowed. Thus, the balance of payments registered an overall surplus of US\$4.2 billion.

### **Exports**

In spite of the fact that domestic demand was the major driving force behind the Thai economy in 2002, the recovery of external demand from last year was also another factor that helped the economy to grow beyond expectations. Export value in US dollar terms started to expand in 2002 Q2 and accelerated further in the latter half of the year, expanding in total by 5.8 percent in 2002. Export sectors which showed favourable prospect were hi-tech industrial products and agricultural goods.

Although the world's major economies, namely, the United States, Japan and Europe, did not recover so evidently in 2002, Thailand was less affected than before as growth in intra-regional trade and new markets helped shore up demand for exports.

### **Imports**

In 2002, the continued expansion in domestic demand coupled with the recovery in exports led to a 4.6 percent increase in import value in US dollar terms. Import categories which experienced large positive growth were consumer goods, capital goods, raw materials and semi-raw materials.

## **Monetary Sector**

Even though the issuance of B305 billion government saving bonds, for which the settlement period was September-October 2002, had partly helped absorb excessive liquidity in the financial system, overall liquidity continued to be high. This kept short-term money market interest rates low after having adjusted downwards in tandem with the policy rate cuts, the most recent of which took place on 19 November 2002. At the time, the BOT reduced the policy rate from 2.0 percent to 1.75 percent in preparation for heightened external uncertainties.

Commercial banks cut both deposit rates and loan rates at the beginning of 2002 and once again towards the end of the year in response to the direction of the policy rate and each bank's liquidity conditions. The average 3-month fixed deposit rate of the four largest commercial banks declined from 2.25 percent per annum at end-December 2001 to 1.75 percent per annum at end-December 2002. Over the same period, the average Minimum Lending Rate (MLR) fell from 7.125 to 6.69 percent per annum.

In 2002, total commercial bank credits improved in line with the economic conditions. Real estate, public utility and personal consumption loans expanded favourably throughout the year. Other loans, namely loans to the industrial sector

as well as loans for export and commerce, started to grow at the end of the year. Commercial bank credits outstanding (adding back debt write-offs and loans transferred to AMCs but excluding credits extended to AMCs) as of end-December 2002 rose by 3.2 percent year-on-year, while commercial bank deposits grew by 2.5 percent.

## **Outlook for 2003**

The Thai economy is expected to grow at a satisfactory rate in 2003. The main contributing factor is the growth momentum carried on from the previous year, supported by an expected faster rate of global economic growth, expanding farm income, stronger consumer and business confidence, accommodating government measures, a low interest rate environment, an expanding role of non-financial institutions as a source of funds, and a continued recovery of commercial bank loans which comes partly a result of the success in resolving financial institutions problems.

Nevertheless, economic growth is susceptible to risks, the most important of which is likely to be an external one, namely the tension between the US and Iraq which has already intensified by the end of January 2003. If war erupts and is prolonged, the world economic recovery may come to a halt, yielding adverse impacts on Thai exports and tourism. Moreover, the currently high and volatile price of oil is likely to increase further during the war, which will not only reduce the purchasing power of oil importers like Thailand but will also erode consumer and business confidence.

## **ECONOMIC DEVELOPMENTS IN 2002**

## Economic Developments in 2002

### Real Sector

#### A. Agricultural Sector

##### Farm Income from Major Crops

In 2002, farm income from major crops expanded by 11.1 percent as a result of a 10.9 percent increase in crop prices while crop output remained comparable to last year. The substantial increase in crop prices was attributable to the following:

1) A rise in the price of rice which reflected both stronger global demand and less domestic supply as a result of the government's paddy pledging scheme and the impact of floods at the end of 2002.

2) An increase in the price of cassava in response to a fall in production and stronger external demand, most of which was used for alcohol and citric acid production.

3) A surge in the price of natural rubber following favourable global demand and reduced domestic supply due to a long wintering season at the beginning of 2002.

4) A rise in the price of oil seeds, in particular oil palm, as a result of a decline in both domestic and overseas production.

Farm income is expected to expand further in 2003, but at a slower rate compared to 2002. Behind this, the growth rate of crop prices is anticipated to

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

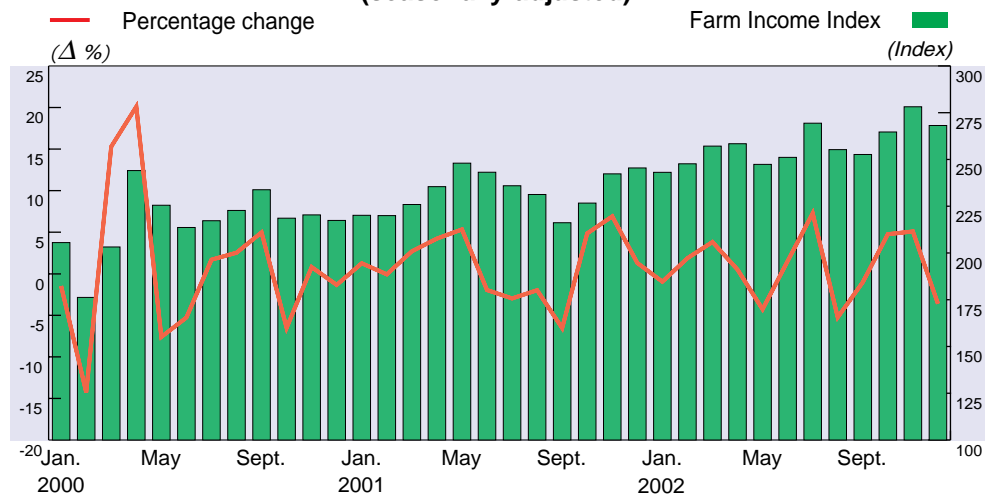
$\Delta\%$	2001	2002					Year
	Year	H1	Q3	Q4	Nov.	Dec.	
Farm Income	8.4	9.1	13.6	13.8	15.4	8.9	11.1
Crop Production	5.1	0.0	2.9	-0.9	1.7	-3.2	0.2
Crop Prices	3.2	9.1	10.3	14.8	13.5	12.5	10.9

**Note :** *Data are not seasonally adjusted.*

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

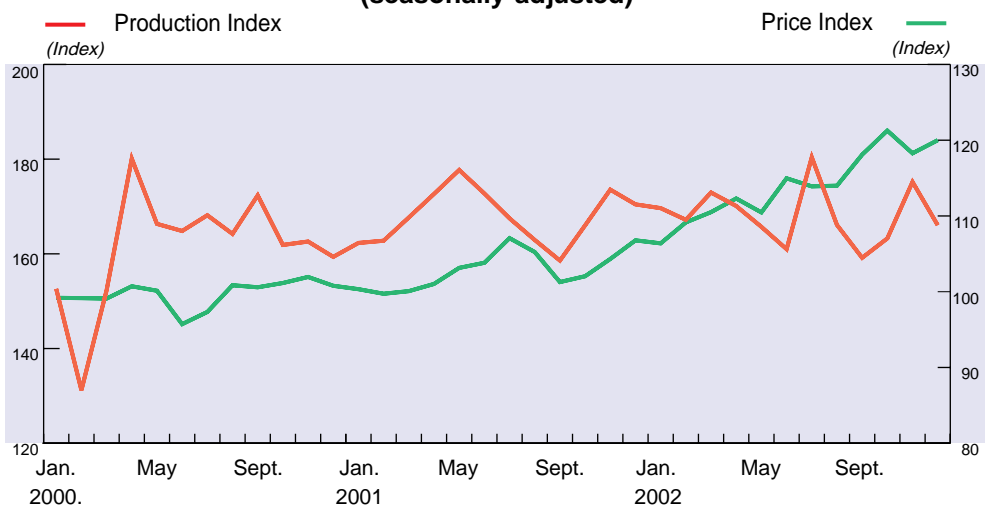
moderate as prices have already risen substantially. While the price of rice is expected to increase further in line with a decline in world production, particularly from India whose output is expected to drop by approximately 15 percent due to droughts, the price of natural rubber is expected to moderate, though remaining at

### Farm Income from Major Crops (seasonally-adjusted)



Note : Change in farm income is calculated from changes in the Major Crop Production Index and the Major Crop Price Index.

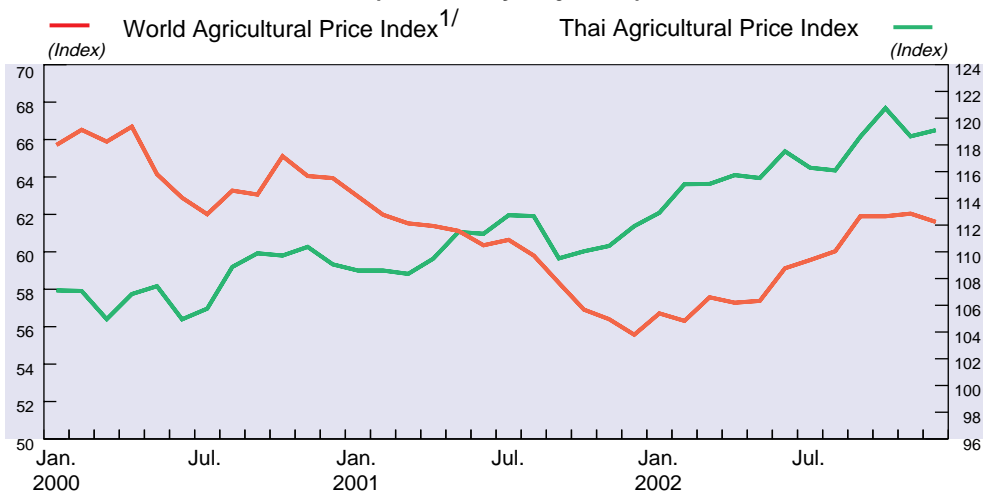
### Indices of Major Crop Production and Crop Prices (seasonally-adjusted)



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



### Indices of Thai and World Commodity Prices (seasonally-adjusted)



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

Source : World Bank

a generally favourable level as there continues to be demand from the automobile industry while supply has already been reduced by the government's measures to decrease the number of rubber trees.

Crop production in 2003 is expected to expand from the previous year, partly due to enticing crop prices in 2002. Rice production is likely to increase with an expansion in second-crop rice plantation in order to replace the first crop that was damaged by floods at the end of 2002. Meanwhile, production of maize and cassava is likely to expand in line with an increase in planting areas. Oil palm production is also expected to increase as the expansion of planting areas 4-5 years ago is now ready to yield output.

#### Other Agricultural Products

In 2002, **livestock** production rose in line with an increase in broiler and egg production that was induced by high prices in the previous year. Nevertheless, in 2002 H2, egg production declined, adjusting to reduced market demand as exports turned sluggish and prices fell sharply.

The volume of **landing fishery** grew by 8.3 percent in 2002, as fishing activities picked up in response to lower production costs induced by a decline in the price of high-speed diesel. However, uncertainty arising from the threat of a US-Iraq war toward the end of 2002 led to a continued rise in oil prices which was likely to have an adverse impact on landing fishery. As for fishery from cultivation, production of black tiger prawns fell in 2002, owing mainly to unfavourable prices and export difficulties.

<b>Table 2 : Indicators of Major Crop Production, Trade, and Consumption</b> (Unit : Million tonnes)						
	1998/99	1999/00	2000/01	2001/02	2002/03	Δ%
<b>Thai crops<sup>1/</sup></b>						
Paddy	23.00	24.18	25.84	26.69	25.93	-2.8
First crop	18.66	19.02	19.79	20.90	20.00	-4.3
Second crop	4.34	5.16	6.01	5.79	5.93	2.4
Rubber <sup>2/</sup>	2.16	2.20	2.38	2.42	2.40	-0.8
Maize	4.62	4.29	4.46	4.47	4.21	-5.8
Cassava	16.51	19.06	18.40	16.87	18.43	9.2
Sugarcane	52.84	54.90	52.01	62.65	62.52	-0.2
Mungbean	0.23	0.25	0.23	0.24	0.26	8.3
Soybean	0.32	0.32	0.31	0.26	0.27	3.8
Oil Palm	2.46	3.51	3.26	4.09	3.90	-4.6
Coffee	0.05	0.08	0.09	0.06	0.06	0.0
<b>World crops<sup>3/</sup></b>						
Grains						
Production	1,873.4	1,871.7	1,841.1	1,864.6	1,807.7	-3.1
Trade	223.5	240.1	231.8	238.6	232.5	-2.6
Rice (milled)						
Production	394.1	409.3	397.6	397.3	380.3	-4.3
Trade	24.9	22.8	24.4	27.1	26.7	-1.5
Maize						
Production	605.6	606.4	587.3	597.2	590.5	-1.1
Trade	68.7	73.3	76.4	74.1	75.3	1.6
Soybean						
Production	159.8	159.9	175.1	184.3	190.9	3.6
Trade	38.7	46.7	55.1	55.0	61.4	11.6
Rubber <sup>2/</sup>						
Production	6.78	6.88	6.93	7.03	7.09 <sup>E</sup>	0.9
Consumption	6.51	6.77	7.13	6.97	7.12 <sup>E</sup>	2.2
<b>Note :</b> 1/ <i>Estimated in December 2002</i> 2/ <i>Rubber production is based on the calendar year, i.e., the figure in 2001/02 is the production during January 2001 to December 2001.</i> 3/ <i>Estimated in January 2003</i> E = <i>Estimate</i> Δ% <i>represents percentage change from the same period last year.</i>						
<b>Source :</b> <i>Office of Agricultural Economics</i> <i>World Agricultural Supply and Demand, USDA. Grains: World Markets and Trade, January 2003</i> <i>LMC Commodity Bulletin, December 2002</i>						

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

	1999	2000	2001			2002			
	Year	Year	H1	H2	Year	H1	Q3	Q4	Year
<b>Farm Price Index*</b>	<b>111.6</b>	<b>107.7</b>	<b>109.6</b>	<b>111.4</b>	<b>110.5</b>	<b>115.1</b>	<b>117.9</b>	<b>118.9</b>	<b>116.8</b>
(1995 = 100)									
Δ%	-15.4	-3.5	2.9	2.2	2.6	5.1	4.8	7.8	5.7
<b>Crop Price Index*</b>	<b>105.6</b>	<b>99.8</b>	<b>101.1</b>	<b>104.7</b>	<b>102.9</b>	<b>110.3</b>	<b>115.8</b>	<b>120.1</b>	<b>114.1</b>
Δ%	-19.8	-5.5	2.3	4.0	3.2	9.1	10.3	14.9	10.9
Hom mali paddy	6,892	7,349	5,992	5,011	5,501	5,088	6,196	5,956	5,582
Δ%	-15.5	6.6	-15.3	-34.3	-25.2	-15.1	19.9	22.7	1.5
Paddy class1(5%)	5,459	4,937	4,447	4,700	4,574	4,791	5,182	5,128	4,973
Δ%	-18.2	-9.6	-7.2	-7.5	-7.4	7.7	8.8	10.5	8.7
Rubber	17,930	21,480	22,400	19,490	20,940	23,970	30,440	30,040	27,100
Δ%	-22.6	19.8	6.6	-11.3	-2.5	7.0	44.1	68.3	29.4
Maize	4,214	4,263	3,912	3,942	3,927	4,183	4,130	4,170	4,167
Δ%	-7.8	1.2	-17.5	4.1	-7.9	7.0	5.7	4.9	6.1
Cassava	770	620	750	990	870	1,090	1,010	940	1,030
Δ%	-44.5	-19.0	18.0	62.5	39.7	44.5	0.7	-3.1	18.6
<b>Livestock Price Index*</b>	<b>115.2</b>	<b>103.3</b>	<b>110.2</b>	<b>117.1</b>	<b>113.7</b>	<b>115.5</b>	<b>110.7</b>	<b>105.6</b>	<b>111.9</b>
Δ%	2.4	-10.3	7.4	12.7	10.1	4.8	-7.4	-7.7	-1.6
<b>Fishery Price Index*</b>	<b>127.1</b>	<b>137.4</b>	<b>135.7</b>	<b>126.8</b>	<b>131.3</b>	<b>130.1</b>	<b>131.7</b>	<b>128.6</b>	<b>130.1</b>
Δ%	-16.2	8.1	1.1	-9.7	-4.5	-4.1	1.7	3.5	-0.9
<b>Wood Price Index*</b>	<b>97.1</b>	<b>102.8</b>	<b>103.8</b>	<b>103.4</b>	<b>103.6</b>	<b>104.4</b>	<b>104.6</b>	<b>104.6</b>	<b>104.5</b>
Δ%	-6.3	-19.4	2.9	-1.3	0.8	0.6	1.2	1.2	0.9

**Note :** \* *Rebasing from 1984 to 1995*

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

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

### Agricultural Prices

**Thai agricultural prices (seasonally-adjusted)** increased continuously in 2002. Most crop prices trended upwards as a result of high demand and reduced supply due to floods both domestically and overseas. On the contrary, fishery and livestock prices fell following sluggish export conditions of prawns and broilers since March 2002.

**Outlook for 2003.** Thailand's Major Agricultural Price Index (seasonally-adjusted) suggests that farm prices are likely to increase further, albeit at a slower rate compared to 2002. This is due to the fact that favourable prices will lead to some expansion in production. At the same time, problems with the export of prawns and broilers are likely to be resolved quickly, helping to raise export prices as well as domestic prices. This should result, in turn, in higher farm income and increased domestic consumption.

**World agricultural prices (12 commodities related to Thai commodities)** decelerated in 2002 Q4 as a result of a decline in the prices of prawns and

**Table 4 : World Agricultural Prices\***

(Unit : US\$/tonne)

	1999	2000	2001			2002			Year
	Year	Year	H1	H2	Year	H1	Q3	Q4	
<b>World Agricultural</b>									
<b>Price Index</b>	<b>68.3</b>	<b>64.5</b>	<b>62.0</b>	<b>57.5</b>	<b>59.8</b>	<b>57.8</b>	<b>60.5</b>	<b>61.0</b>	<b>59.3</b>
(1995=100)									
Δ %	-15.3	-5.6	-5.9	-8.8	-7.3	-6.8	1.5	9.8	-0.9
Rice 5%	248.4	202.4	173.3	172.4	172.8	194.4	192.2	186.5	191.9
Δ%	-18.3	-18.5	-21.1	-6.9	-14.6	12.2	12.9	6.9	11.0
Shrimp	14,607	15,126	16,397	13,767	15,082	10,725	9,920	10,690	10,515
Δ%	-7.5	3.6	9.2	-9.7	-0.3	-34.6	-34.9	-13.1	-30.3
Rubber	628	691	628	572	600	698	863	825	771
Δ%	-12.9	10.0	-11.2	-15.2	-13.2	11.0	44.9	50.2	28.4
Sugar	138	180	209	172	190	146	144	171	152
Δ%	-29.8	30.6	52.4	-23.1	5.6	-30.2	-19.6	4.4	-20.3
Cassava	100.5	81.3	77.1	81.9	79.5	83.6	95.5	90.1	88.2
Δ%	-5.8	-19.1	-9.6	5.4	-2.2	8.5	17.9	8.8	10.9
Maize	90.2	88.5	88.8	90.5	89.7	90.7	107.2	108.5	99.3
Δ%	-11.5	-1.9	-4.7	7.9	1.3	2.1	17.0	21.5	10.7
Oil palm	436.0	310.3	248.0	323.3	285.7	356.0	410.3	438.3	390.2
Δ%	-35.0	-28.8	-27.1	15.3	-7.9	43.5	22.9	40.2	36.6

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

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

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

sugar. Nevertheless, the prices of rice, natural rubber, oil palm and cassava still rose significantly.

**Outlook for 2003.** The World Agricultural Price Index (seasonally-adjusted) is on a recovery trend after having fallen over the downward cycle. The prices of rice, natural rubber and oil palm are expected to rise further from 2002. With droughts causing damage to rice and oil palm output in India around the end of 2002, it is expected that India will have to raise its import of these commodities by a significant amount, helping to push their prices upwards. Meanwhile, the price of natural rubber is likely to benefit from a pick-up in global demand in line with the overall world economic recovery.

## B. Manufacturing Sector

• In 2002, manufacturing production registered an overall increase of 8.4 percent as a result of an expansion in both domestic-oriented and export-oriented sectors. Production of iron and steel as well as cement grew substantially in line with buoyant real estate and construction activities. Production of electronics and electrical appliances rose in tandem with the global electronics cycle. Production of vehicles also increased throughout the year following a strong domestic demand for commercial cars and motorcycles.

The Manufacturing Production Index (MPI) expanded markedly in 2002 by 8.4 percent. Among domestic-oriented industries (exporting less than 30 percent of production), production of iron and steel, liquor, motorcycles, and cement increased considerably. Meanwhile, production of integrated circuits, television sets, and sugar, all of which classified as export-oriented industries (exporting over 60 percent of production), also rose strongly. For industries exporting between 30 and 60 percent of production, production of commercial cars, tyres, hot and cold-rolled iron sheets, as well as glass sheets began to accelerate in 2002 Q3.



The overall capacity utilization rate averaged at 60.0 percent in 2002, up from the rate of 53.5 percent in the previous year.

### Industries Exhibiting Favourable Growth in 2002

**Iron and steel products** expanded favourably in all product categories but especially in hot and cold-rolled sheets, which were used to substitute for imported

products as a special surcharge was imposed on imported items between 28 January to 28 July 2002, followed by anti-dumping actions from 29 July 2002 onwards. Moreover, with the property sector experiencing a recovery since the beginning of 2002 in response to government stimulus measures and accelerated construction of the Suvarnabhumi Airport, there was an increase in demand for P.C. wires and P.C. stand wires, steel bars and wire rods. The capacity utilization rate of this sector rose significantly from last year to 60.6 percent.

**Electronics and electrical products.** Production of electronics and electrical products, especially integrated circuits, increased substantially as a result of a rebound in the global electronics cycle since the end of 2001, coupled with the economic recovery of major markets like the US and Asian countries during 2002 H1. Production also accelerated in 2002 Q4 with the introduction of new product varieties. Meanwhile, production of television sets expanded well given strong demand from both domestic and overseas markets, particularly during the World Cup 2002 season. Moreover, there was a transfer of some production platforms from parent companies in Japan to their subsidiaries in Thailand. Thus, the average capacity utilization rate of this sector increased to 59.7 percent.

**Table 5: Manufacturing Production Index\***  
(Percentage change)

	2000	2001	2002		
	Year	Year	H1	H2	Year
Food	2.6	-2.9	6.6	-1.6	3.2
Beverages	-41.7	13.4	21.5	16.3	18.7
Tobacco	-1.3	-3.0	-0.3	7.1	3.2
Textiles and Textile Products	3.2	0.6	-1.7	0.8	-0.4
Petroleum Products	-0.9	2.2	0.5	3.2	1.9
Construction Materials	0.1	9.9	21.1	6.0	13.4
Iron and Steel Products	15.1	2.5	24.0	24.6	24.3
Vehicles and Equipment	25.5	23.3	9.5	28.9	19.7
Electronics and Electrical Products	31.6	-26.8	16.7	31.8	24.1
Setting Jewellery	28.5	3.9	-0.3	0.2	0.0
Others	14.9	0.7	-8.0	13.2	2.4
<b>Total</b>	<b>3.3</b>	<b>1.3</b>	<b>5.9</b>	<b>11.0</b>	<b>8.4</b>
<b>(Excluding Liquor)</b>	<b>10.9</b>	<b>0.7</b>	<b>4.1</b>	<b>9.7</b>	<b>6.9</b>

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

**Vehicles and equipment.** Production of vehicles and equipment, mostly commercial cars and motorcycles, rose sharply in 2002 H2, owing mainly to low interest rates and favourable payment conditions. At the same time, new models of commercial cars and low-priced motorcycles, coupled with continuous sales promotions, helped sustain demand throughout the year. As a result, the capacity utilization rate of this sector also rose, averaging at 54.6 percent in 2002.

**Beverages.** Production of beverages expanded significantly, induced particularly by increased liquor production following a significant rundown of a major producer's stock. Moreover, in 2002 Q2, production rose to satisfy extra demand during the World Cup 2002 season, and in 2002 Q3 the launching of new low-degree liquor products to raise market shares in the upcountry areas also boosted production. The capacity utilization rate of this sector thus rose to 50.5 percent.

**Construction materials.** For the whole year, production of construction materials grew markedly, although it exhibited some contraction in 2002 Q4 as a result of the base effect and the impact of floods. The overall expansion began since late 2001 when demand for detached houses and townhouses was boosted by government measures to revive the property sector. In addition, it benefited from a low interest rate environment and accelerated construction of the Suvarnabhumi Airport. The capacity utilization rate of this sector rose to 56.9 percent in 2002.

**Table 6 : Capacity Utilization \***  
(Unit : Percentage)

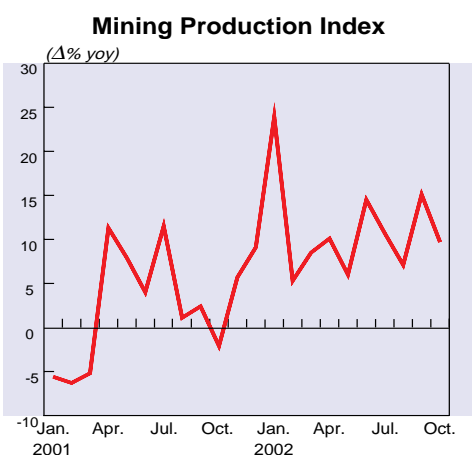
	2000	2001	2002
Food	44.0	42.6	46.4
Beverages	32.6	36.4	50.5
Tobacco	53.7	52.1	53.8
Construction Materials	50.1	52.3	56.9
Iron and Steel Products	47.0	50.0	60.6
Vehicles and Equipment	40.1	44.5	54.6
Petroleum Products	83.9	74.8	76.2
Electronics and Electrical Products	65.4	47.5	59.7
Others	75.4	77.0	71.5
<b>Average</b>	<b>55.8</b>	<b>53.5</b>	<b>60.0</b>
(Excluding Liquor)	<b>59.5</b>	<b>56.1</b>	<b>60.8</b>

**Note :** \* Covering 44.5 percent of the overall value added in the manufacturing sector.

Meanwhile, the textile industry was among those exhibiting a contraction in 2002. Production of textiles, especially finished garments as well as woven and knitted textiles, declined as a result of a loss of market share to countries with lower labour costs coupled with a sharp reduction in orders following the September 11 terrorist attacks in the US in 2001. Despite the contraction in 2002 H1, however, production of textiles began to see an upturn in 2002 H2, with the exception of jute products which continued to fall following a reduction in raw materials.

### C. Mining Sector

During the first ten months of 2002, the Mining Production Index rose by 11.0 percent year-on-year. Production of limestone for construction increased strongly by 21.3 percent as demand for cement to be used in residential construction projects rose. Production of crude oil, natural gas and lignite grew by 23.4, 4.0 and 3.2 percent, respectively, as they were used as substitutes for fuel oil.



Source : The Mining Production Index is constructed from data of the Department of Mineral Resources, Ministry of Industry.

**Table 7 : Change in the Mining Production Index**

Production	2001		2002			
	Year	Jan.-Oct.	H1	Q3	Oct. <sup>P</sup>	Jan.-Oct. <sup>P</sup>
<b>Mining Production Index</b>	<b>167.0</b>	<b>166.7</b>	<b>181.0</b>	<b>193.7</b>	<b>183.9</b>	<b>185.1</b>
Δ%	<b>2.7</b>	<b>1.8</b>	<b>11.3</b>	<b>10.9</b>	<b>9.7</b>	<b>11.0</b>
Natural gas	-2.7	-2.6	2.9	8.3	-2.0	4.0
Lignite	10.7	7.4	11.6	-17.0	32.6	3.2
Limestone for cement	7.7	4.3	42.9	-13.8	16.7	21.3
Crude oil	6.4	5.9	19.8	28.8	27.0	23.4
Tin	0.8	6.9	-62.1	-29.2	-6.7	-49.9

**Note :** P = Preliminary data  
Δ% represents percentage change from the same period last year.

**Source :** The Mining Production Index is constructed from data of the Department of Mineral Resources, Ministry of Industry.

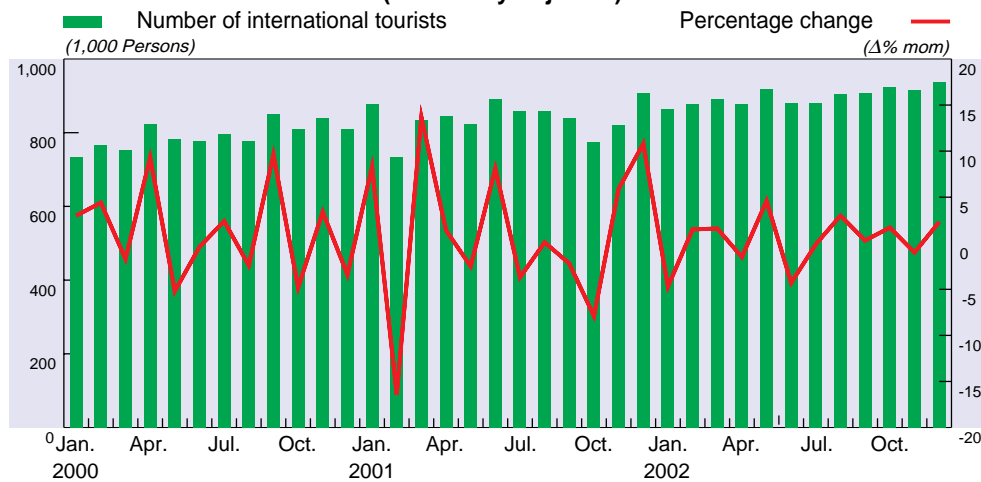


## D. Service Sector

### Tourism

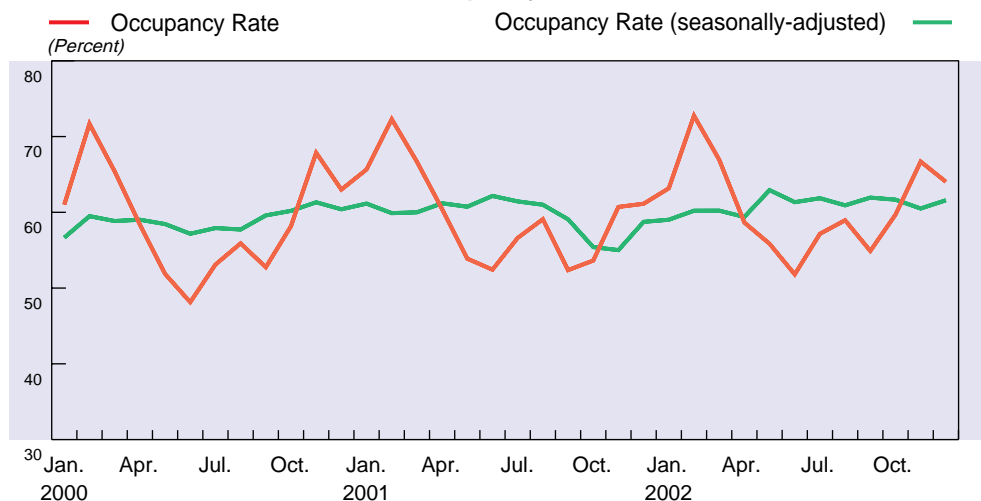
In 2002, tourism showed signs of recovery after having slowed down between September-November 2001 in the wake of the terrorist attacks in the US. The recovery also benefited from many promotion measures initiated by the government, including measures to increase tourist security and confidence. These efforts subsequently helped to soften the adverse impact of the terrorist attacks in Asia during October-November 2002 on Thai tourism. For the entire year, 10.78

**Number of International Tourists  
(seasonally-adjusted)**



Source : Tourism Authority of Thailand

**Occupancy Rate**



Source : Bank of Thailand

**Table 8 : International Tourists Classified by Nationality**

Country	Percentage change (%)			Market share (%)	
	2001		2002	2001	2002
	Year	Jan.-Nov.	Jan.-Nov.	Jan.-Nov.	Jan.-Nov.
East Asia	4.3	2.8	8.7	57.4	58.0
- Japan	-2.0	-0.7	3.3	12.1	11.6
- Malaysia	6.7	1.3	15.4	11.3	12.1
- Korea	21.6	21.4	29.4	5.4	6.5
Europe	9.0	9.6	5.0	24.7	24.1
USA	3.0	3.8	5.7	6.9	6.7
Others	-0.1	9.1	9.1	11.0	11.2

**Source :** *Tourism Authority of Thailand*

million foreign tourists travelled to Thailand, up by 7.1 percent from the previous year and bringing in US\$7.7 billion of revenue. The average hotel occupancy rate was 60.7 percent.

The composition of tourists in the first 11 months remained unchanged from the previous year. Approximately 58.0 percent of them came from East Asia, with a large increase seen in the number of tourists from neighbouring countries, namely, Malaysia, Vietnam, Cambodia, Hong Kong and Korea. Meanwhile, tourists from

**Table 9 : Tourism Indicators**

	2001	2002					
	Year	Year	H1	Q3	Q4	Nov. <sup>P</sup>	Dec. <sup>P</sup>
1. Number of international tourists (1,000 persons)	10,062	10,779	5,326	2,569	2,865	949	1,076
Δ%	5.8	7.1	6.4	5.3	9.4	11.3	3.0
2. Income from tourism (Million US\$)	7,076.9	7,729.6	3,820.4	1,914.7	1,994.5		
3. Occupancy rate (percent)	59.6	60.7	61.4	51.2	63.1	66.3	63.4

**Note :** P = *Preliminary data*

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

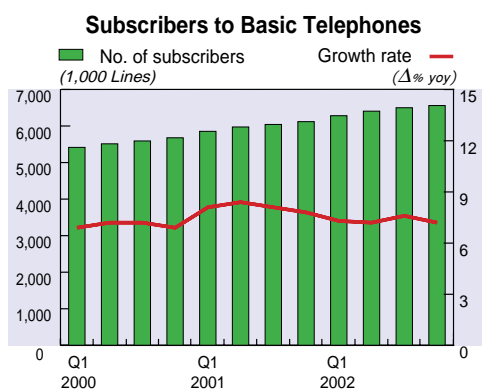
**Source :** *Tourism Authority of Thailand and Bank of Thailand*

Europe and the US showed stable growth and accounted for 24.1 and 6.7 percent of the total number of tourists, respectively.

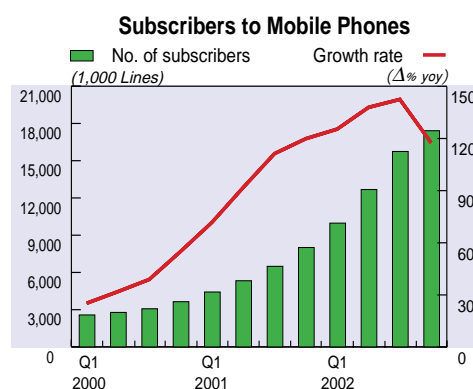
The risk of war between the US and Iraq is likely to have a negative impact on tourism and especially the number of long-distance tourists in 2003.

### Telecommunications

In 2002, the telecommunications industry expanded favourably in tandem with buoyant domestic spending. The number of basic telephone subscribers reached 6.6 million lines, up by 7.2 percent from last year. In addition, the number of mobile phone subscribers more than doubled over the year, reaching 17.4 million lines, in part as a result of the entry of a new mobile phone provider which started



Source : TOT Corporation Public Company Ltd., Communications Authority of Thailand, and private entrepreneurs



Source : TOT Corporation Public Company Ltd., Communications Authority of Thailand, and private entrepreneurs

**Table 10 : Telecommunication Services**

(Unit : Lines)

	2001 Year	2002			
		Q1	Q2	Q3	Q4 <sup>E</sup>
Basic Telephones <sup>1/</sup>	6,119,321	6,281,943	6,405,996	6,499,842	6,560,000
Δ%	7.8	7.3	7.2	7.6	7.2
Mobile Phones <sup>1/</sup>	8,008,435	9,971,391	12,679,904	15,742,893	17,415,400
Δ%	119.9	125.4	137.9	142.5	117.5

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

E = Estimate

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

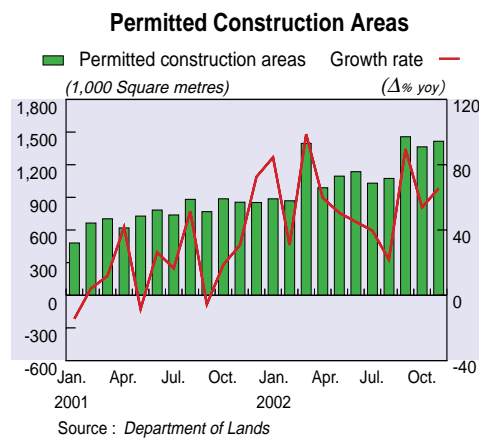
**Source :** TOT Corporation Public Company Ltd., Communications Authority of Thailand, and private entrepreneurs

operations in January 2002. The mobile phone market also benefited from the unlocking of International Mobile Equipment Identity (IMEI) code, which subsequently encouraged competition in the mobile phone market and led to a substantial reduction in both handset prices and airtime fees.

Increasing competition among mobile phone operators is expected in 2003, as there will be an additional 1900MHz mobile phone operator entering the market. Therefore, the government must promptly set up the National Telecommunications Commission (NTC) and complete the conversion of telecommunication concessions to help foster the competitive potential of all operators prior to the liberalization of this industry in 2006.

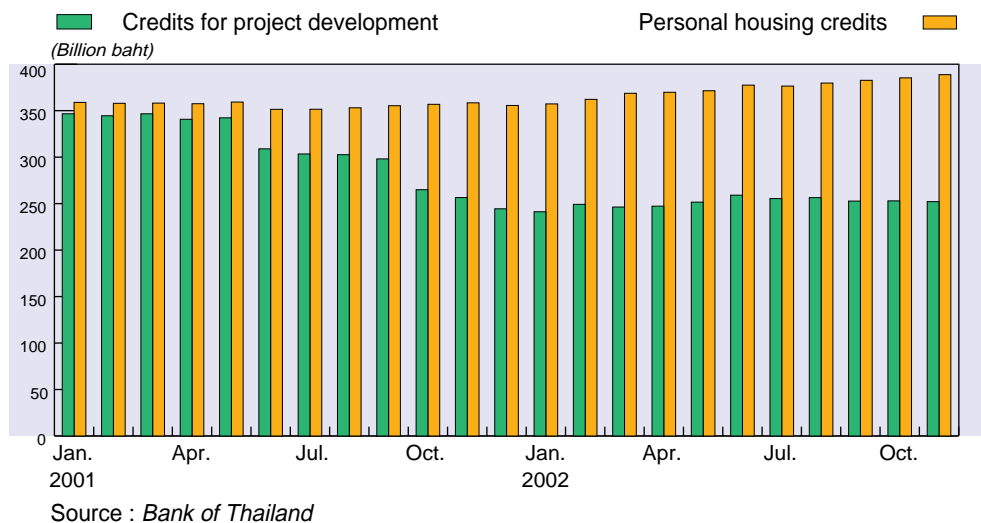
### Real Estate

During the first 11 months of 2002, indicators of real estate activities showed signs of recovery. This included a rise in permitted construction areas (+56.8 percent), value of land transactions (+37.8 percent), and volume of cement sales (+24.6 percent). Nevertheless, the recovery was largely confined to residential properties such as detached houses, townhouses and housing projects, which alone grew by 50.9 percent.



A major factor behind the recovery of the real estate sector was low interest rates. This drove financial institutions to compete in the extension of housing credits, and as of end-November 2002, outstanding housing credits of commercial

### Real Estate Credits of Commercial Banks



banks amounted to B388,735 million, up by 8.5 percent from the same period last year. In addition, the rebound was driven by stronger demand as household income rose in tandem with the overall economic recovery and government stimulus measures.

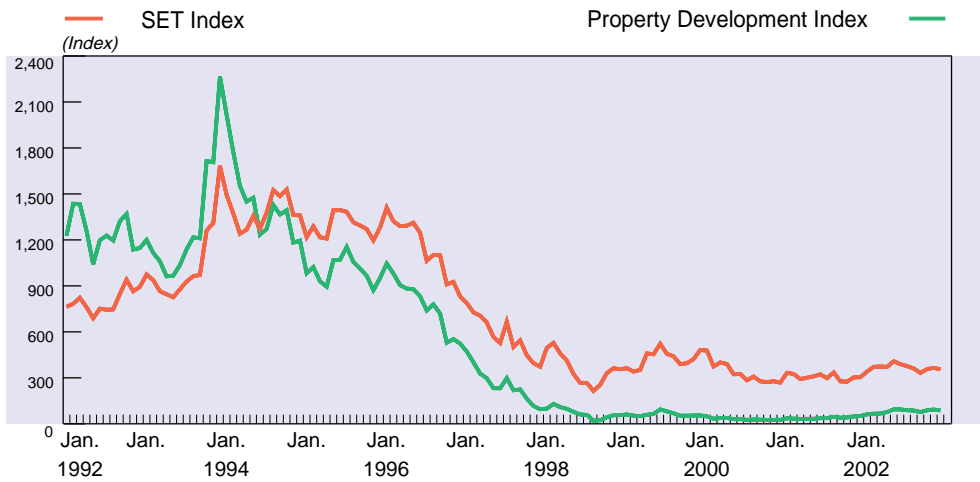
The Property Development Index rose from 51.0 at end-2001 to 87.7 at end-2002, with the index rising steadily over the year in line with the overall economic recovery and a robust upward adjustment of the sector.

The real estate sector is likely to improve further in 2003 as demand continues to grow with the support of government stimulus measures. These measures include the extension of registration fee reduction period until end-2003,

**Table 11 : Real Estate Indicators**

	2001	2002				
	Year	H1	Q3	Oct.	Nov.	Jan.-Nov.
<b>Value of Land Transactions</b> (million baht)	<b>189,021</b>	<b>117,579</b>	<b>69,675</b>	<b>24,994</b>	<b>22,983</b>	<b>235,231</b>
Δ%	10.0	36.1	39.8	54.4	26.0	37.8
<b>Permitted Construction Areas</b> (1,000 square metres)	<b>8,959</b>	<b>6,370</b>	<b>3,561</b>	<b>1,364</b>	<b>1,416</b>	<b>12,711</b>
Δ%	17.8	60.2	49.1	53.9	65.5	56.8
<b>New Housing Registrations</b> (units)	<b>34,023</b>	<b>18,467</b>	<b>8,226</b>	<b>2,627</b>	<b>2,055</b>	<b>31,375</b>
Δ%	6.2	2.6	9.6	-7.0	-30.0	0.4
– Housing Projects	9,691	7,605	3,450	1,156	890	13,101
– Flats/Condominiums	4,693	1,719	4	248	0	1,971
– Self-built Houses	19,639	9,143	4,772	1,223	1,165	16,303
<b>Volume of Cement Sales</b> (1,000 tonnes)	<b>19,048</b>	<b>12,081</b>	<b>5,706</b>	<b>1,847</b>	<b>1,661</b>	<b>21,295</b>
Δ%	5.7	24.4	28.8	26.6	11.4	24.6
<b>Real Estate Credits of</b>						
<b>Commercial Banks</b> (million baht)	<b>600,049</b>	<b>636,578</b>	<b>635,391</b>	<b>638,258</b>	<b>640,858</b>	<b>640,858</b>
Δ%	-15.5	-3.6	-2.8	2.6	4.2	4.2
– Credits for Project Development	244,427	259,098	252,736	252,962	252,123	252,123
– Personal Housing Credits	355,622	377,480	382,655	385,296	388,735	388,735
<b>Note :</b> Δ% represents percentage change from the same period last year.						
<b>Source :</b> Department of Lands, Government Housing Bank, and Bank of Thailand						

### SET Index and the Property Development Index



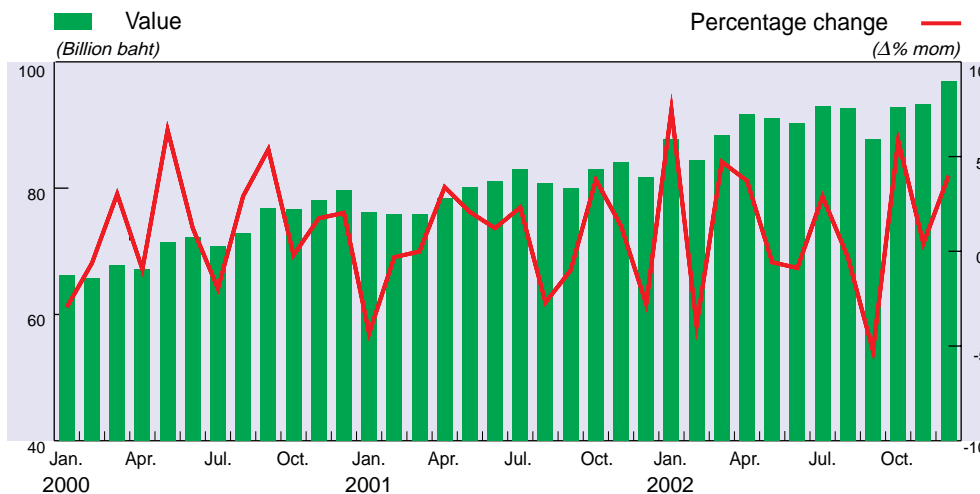
Source : Stock Exchange of Thailand

waiver of income tax on the sale of a previously occupied house for the purpose of buying a new one (up to the value of the new purchase), and new government-initiated housing projects for low income households and densely populated areas.

### Trade

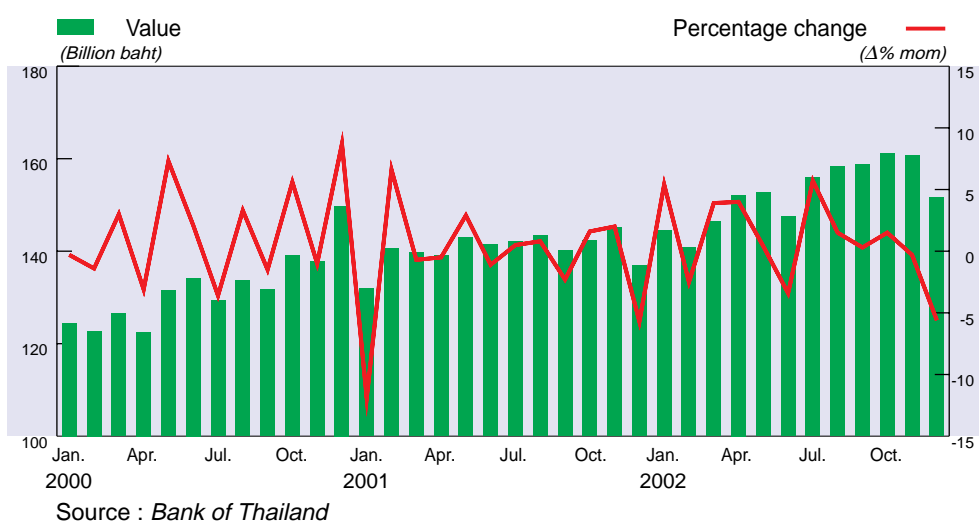
In 2002, retail trade expanded in all product categories, with the most important being electrical appliances and equipment, construction materials and furniture, food and alcoholic beverages, and tobacco. Retail trade without permanent shops, such as that in the fresh markets, also grew well.

### Retail Trade in Real Terms (seasonally-adjusted)



Source : Bank of Thailand

### Wholesale Trade in Real Terms (seasonally-adjusted)



The expansion of retail trade was attributable to higher purchasing power of households as a result of the general economic recovery and better employment conditions, low inflation, and low interest rates that helped boost the extension of consumer credits and housing credits.

Intense competition in the retail sector, in particular from large-scale modern retailers who used strategies like price cuts and loan extension to low-income consumers, led to the closure of many traditional stores. As a result, the retail market structure changed, with modern retailers such as super/hypermarkets and convenience stores continuously gaining market shares and traditional retailers gradually losing market shares.

**Table 12 : Retail and Wholesale Trade in Real Terms**  
(Not seasonally adjusted)

	2001 Year	2002				
		H1	Q3	Oct.	Nov.	Jan.-Nov.
Retail trade (billion baht)	960.3	530.4	273.3	92.0	88.1	983.8
Δ%	10.7	14.0	12.0	11.8	6.4	12.5
Wholesale trade (billion baht)	1,687.7	860.0	473.5	165.3	160.9	1,659.7
Δ%	6.3	5.4	10.7	13.3	6.9	7.8

**Note :** The figures are sales values under the VAT system.

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

**Source :** Bank of Thailand

Meanwhile, wholesale trade (excluding sales of vehicles and equipment) grew quite favourably despite some moderation in the growth rate towards the end of the year. Such moderation came with the slowdown in wholesale trade of consumer goods as well as of machinery and equipment.

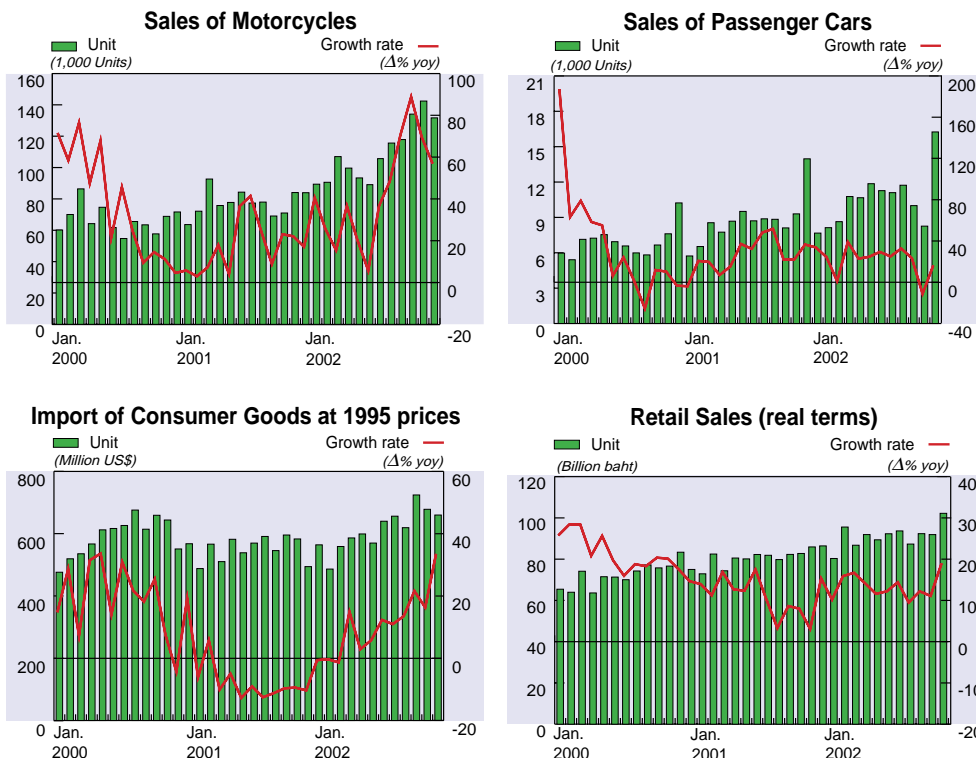
As economic growth carries on momentum in 2003, trade is expected to expand further. Intense competition among entrepreneurs is also likely to continue as large-scale operators extend their branches to provincial communities.

## Domestic Spending

### A. Private Consumption

The Private Consumption Index (PCI) averaged at 106.6 in 2002, up by 3.7 percent from 102.9 in 2001. The growth of PCI accelerated in each quarter of the year as ample liquidity and low interest rates helped boost demand. This was reflected in a number of important indicators, including sales of passenger cars and motorcycles, sales of benzene, and value-added tax (VAT) collection, which rose in particular with retail sales (especially sales of construction materials, electrical appliances, and beverages).

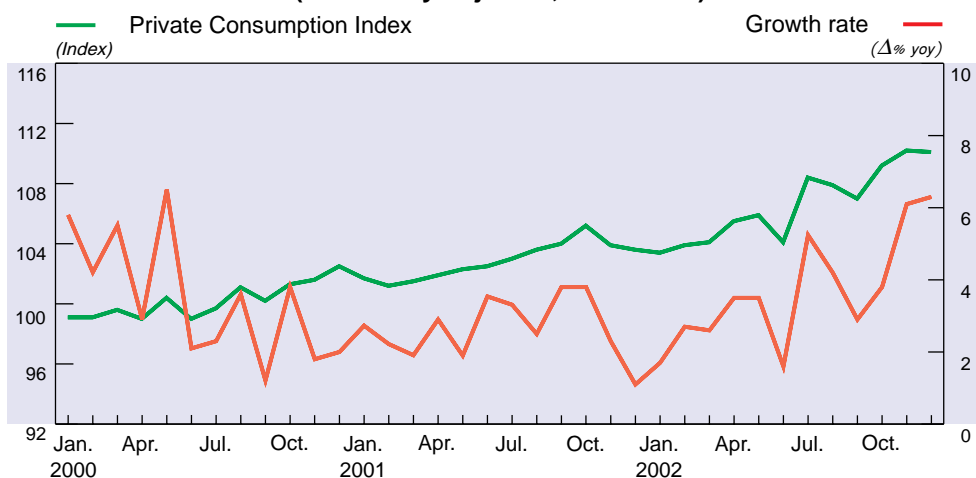
#### Private Consumption Indicators



Source : BOT Survey and Customs Department



**Private Consumption Index<sup>\*</sup>**  
(seasonally adjusted, 1995 = 100)



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

In addition, the expansion in private consumption was supported by strongly rising farm income, strengthening consumer confidence, and significant government transfers to households in rural areas.

## B. Private Investment

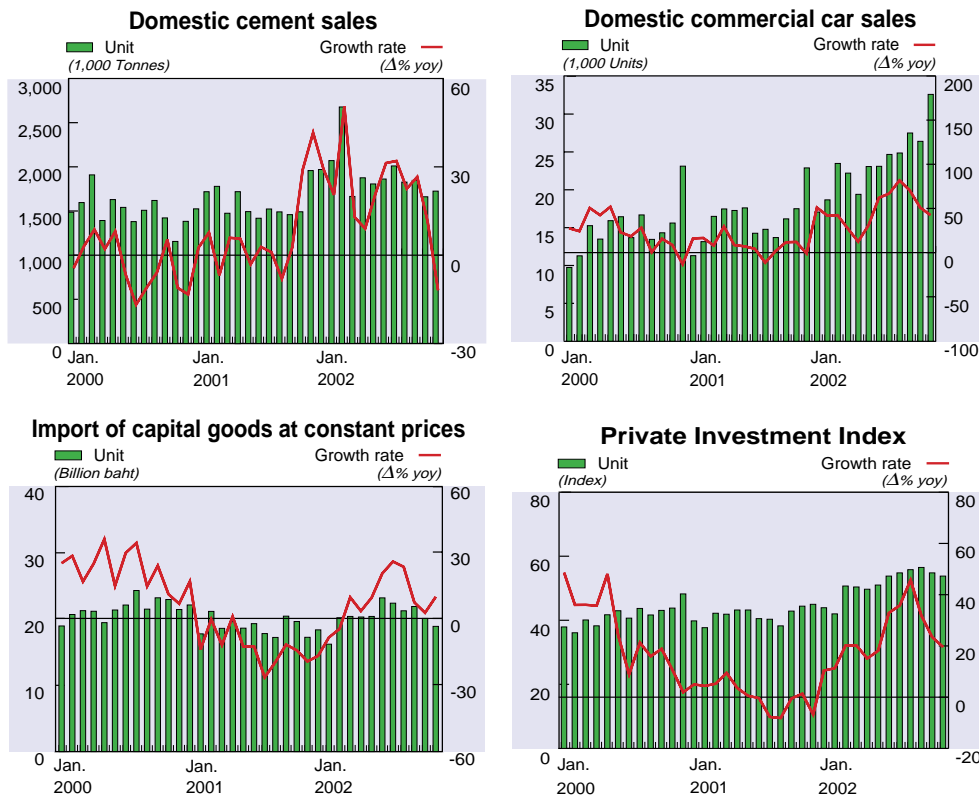
The **Private Investment Index (PII)** expanded by 23.3 percent in 2002, accelerating markedly from the growth rate of only 0.2 percent in 2001. The PII was on an upward trend until 2002 Q3 but declined slightly in 2002 Q4.

Factors supporting the overall expansion in private investment included a pick-up in manufacturing production and real estate activities, which were driven in turn by ample liquidity, low interest rates, and various government stimulus measures. As a result, the Construction Index rose by 52.5 percent with a strong increase in permitted construction areas, while the Equipment Index grew by 18.3 percent, accelerating quite buoyantly during the first three quarters before moderating in 2002 Q4 as concerns over a potential war between the US and Iraq led to a slowdown in imported capital goods.

**Imported capital goods** rose by 6.4 percent in 2002, compared to a contraction of 11.2 percent in the prior year. The expansion in imported capital goods was particularly strong around mid-year, following a recovery of the manufacturing sector as well as a fall in import prices, but began to slow down in 2002 Q4.

**Domestic commercial car sales** grew strongly at 47.0 percent, compared to an increase of only 7.5 percent in 2001, as a result of continued campaigns to boost sales, lower interest rates, and greater consumers' access to financing.

## Private Investment Indicators



Source : BOT survey

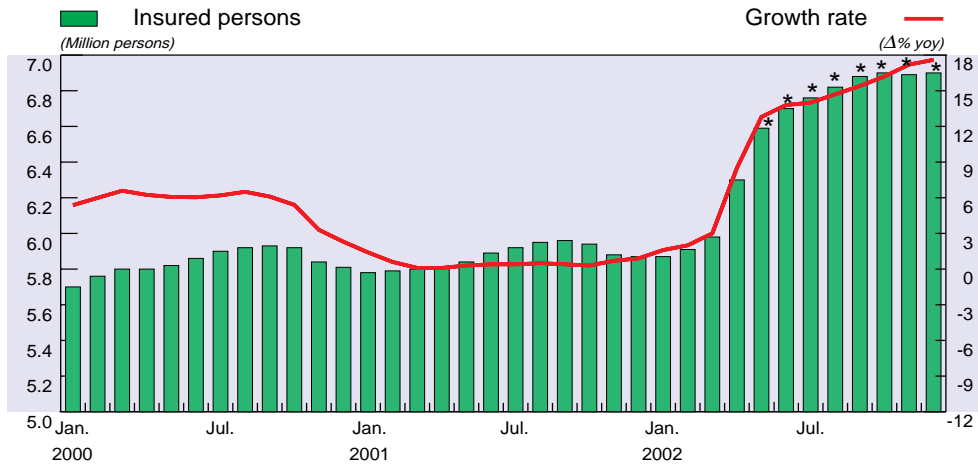
**Domestic cement sales** increased by 20.7 percent in 2002, compared to an expansion of 5.7 percent in 2001. Such improvement came about as a result of a recovery in the real estate sector owing to both buoyant activities in the housing market and major government onstruction projects, most notably the construction of Suvarnabhumi Airport.

## Labour Market Conditions

- The number of employed persons rose compared to the same period last year.
- The number of unemployed and underemployed persons gradually declined
- The number of insured persons continued to expand.

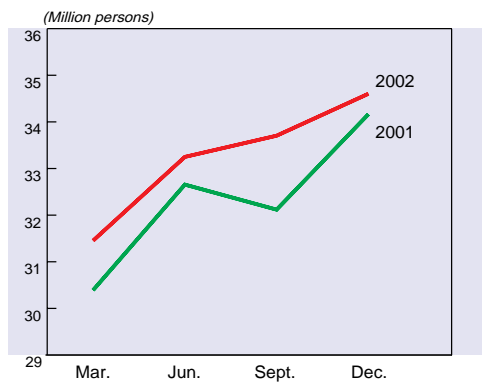
**Labour market conditions.** In December 2002, the number of employed persons rose to 34.6 million, compared to the total labour force of 35.1 million. For the entire year, the number of employed persons averaged at 34.2 million, up from 33.8 million in 2001. This rise owed significantly to the government's attempt to

### Number of Insured Persons in the Social Security Fund



Note : \* SSO expands coverage to include establishments with less than 10 employees.  
 Source : Social Security Office (SSO), Ministry of Labour and Social Welfare

### Number of Employed Persons



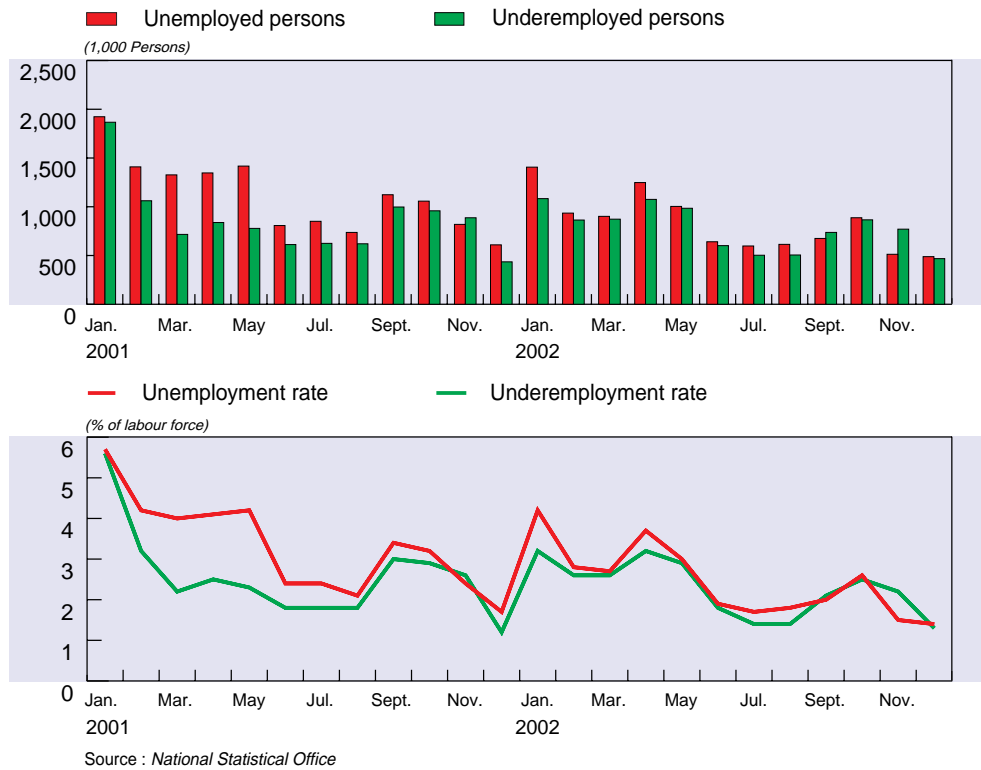
Source : National Statistical Office

create jobs, for example, through the launching of the village funds since mid-2001 and the introduction of the One-Tambon-One-Product projects. As a result, many formerly unemployed persons re-entered the labour market and had much greater opportunities to find jobs. The overall economic recovery also helped raise employment, particularly in the industrial, construction, wholesale and retail trade, and hotel and restaurant sectors.

**Unemployment.** In December 2002, the number of unemployed persons dropped to 0.488 million, which was equivalent to only 1.4 percent of the total labour force. The number of underemployed persons also declined to 0.468 million or 1.3 percent of the total labour force. For the entire year, the unemployment rate averaged at 2.4 percent, down somewhat from 3.3 percent in 2001.

**Employment in the private sector.** The number of insured persons stood at 6.9 million in December 2002, up by 17.6 percent from the same period last year. Such significant increase was mainly a result of the expansion in social insurance coverage from establishments with no less than 10 employees to establishments with at least 1 employee, starting from April 2002 onwards. When considering only those working in establishments with at least 10 employees, however, the number of insured persons still rose by 4.8 percent from the same period last year. This reflected a continued improvement in employment conditions of the private sector.

## Unemployment and Underemployment



## Price Level

• In 2002, the Consumer Price Index (CPI) rose by 0.7 percent, owing mainly to an increase in non-food prices. Meanwhile, Core CPI rose by 0.4 percent, remaining within the policy target range of 0-3.5 percent.

Headline CPI rose by 0.7 percent in 2002 as food and non-food prices rose by 0.3 and 0.8 percent, respectively. Core CPI (excluding raw food and energy) rose by 0.4 percent over the same period.

Main factors contributing to low inflation were as follows:

(1) Domestic demand had not fully recovered. Despite the pick-up in domestic consumption and investment, capacity utilization remained modest, staying somewhat below the pre-crisis average. As a result, there was still no demand pressure on the general price level.

(2) The baht appreciated against the US dollar, strengthening from 44.48 baht per US dollar in 2001 to 43.00 baht per US dollar in 2002. The currency appreciation helped lower import prices in baht terms, especially the price of oil. Therefore, even though the price of crude oil rose by 4.4 percent in the world

**Table 13 : Consumer Price Index**  
(Percentage change from the same period last year)

	Weight (Percent)	2001 Year	2002 Year	2002			
				Q1	Q2	Q3	Q4
Headline Consumer Price Index	100.0	1.6	0.7	0.6	0.2	0.3	1.4
Food and beverages	38.5	0.7	0.3	0.3	-0.2	-0.1	1.1
Non-food and beverages	61.5	2.2	0.8	0.8	0.4	0.5	1.5
Core Consumer Price Index	75.3	1.3	0.4	0.9	0.3	0.3	0.2

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

market, domestic energy prices rose on average by only 0.7 percent.

(3) World farm prices continued to decline, putting downward pressure on the price of raw food in Thailand, especially the price of rice, flour and flour products which fell by as much as 8.2 percent in 2002.

(4) Price control measures by the government kept utility charges and transportation fees stable or declining slightly.

Nevertheless, a few items in the consumer basket saw significant price increases. For example, the price of transportation and communication rose on average by 1.3 percent following the increase in fuel prices.

On the whole, headline inflation remained above core inflation, due mainly to the increase in energy prices. The continued decline in core inflation throughout the year reflected not only the absence of demand-pull and cost-push pressure but also the appreciation of the baht which helped bring down import costs.

**Table 14 : Producer Price Index**  
(Percentage change from the same period last year)

	Weight (Percent)	2001 Year	2002 Year	2002			
				Q1	Q2	Q3	Q4
Producer Price Index	100.0	2.5	1.6	1.2	1.0	0.9	3.5
Agricultural Products	13.1	5.1	10.0	9.6	8.9	9.0	12.6
Mining Products	1.9	8.1	-1.3	-2.9	-4.0	-1.9	4.0
Manufactured Products	85.0	2.0	0.6	0.2	-0.1	-0.2	2.2

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

The **Producer Price Index (PPI)** increased by 1.6 percent in 2002, driven mainly by a 10.0 percent rise in agricultural product prices, especially the prices of paddy (as a result of government support measures), rubber, tapioca and oil palm. Meanwhile, manufactured product prices rose by 0.6 percent, especially the prices of rice, steel bars, electrical appliances, gold ornaments, and vehicles and equipment. Mining product prices, however, dropped by 1.3 percent.

## External Sector

### A. World Economic Conditions in 2002

The world economy in 2002 improved notably as from 2001. According to the September 2002 World Economic Outlook (WEO) report, the IMF forecasted that the global economic growth in 2002 would be 2.8 percent, up from 2.2 percent in 2001.

Economic performance of the major industrial countries indicated a slow pace of recovery. Though not yet fully recovered, the **US economy** managed to expand at the rate of 2.4 percent in 2002, compared to only 0.3 percent in the previous year. Economic conditions in the **Euro area** remained fragile, with growth expected at about 1.1 percent as the problems of high unemployment rate and budget deficits in major countries, particularly Germany which is the largest economy in the Euro area, persisted. As for **Japan**, the economy grew by 0.3 percent in 2002, up from negative 0.5 percent in 2001 as a result of improved domestic demand, especially from the private sector, in 2002 Q4. Nevertheless, there continued to be downside risks in the Japanese economy, including those from unresolved problems of financial institutions, high unemployment and deflation. In addition, consumers still had little confidence in the economy as a result of the prolonged recession.

Economic activities in **Latin America** (in particular Argentina and Venezuela) continued to be unstable and fragile due largely to internal political conflicts. However, the **Asian economies** picked up markedly, driven mainly by improved private consumption and export growth, especially from intra-regional trade.

#### World Trade

World trade volume is expected to have expanded at the rate of 2.5 percent in 2002, compared to a contraction of 0.1 percent in 2001. The recovery came largely from the pick-up in the US economy, the world's main export market.

#### Inflation

In 2002, overall inflationary pressure subsided. The average inflation rate for developed economies is expected at around 1.5 percent, with Japan continuing to experience deflation for the third consecutive year as its general price level fell

by 0.9 percent. The average inflation rate in developing countries is expected at 5.7 percent.

World prices fell as a result of keener competition as well as high excess industrial capacity world-wide. The world oil price averaged at US\$23.85 per barrel in 2002, down from US\$24.28 per barrel in 2001 due to low price in the early part of the year. However, towards the end of the year, there was a pick-up in oil price induced by the risk of war between the US and Iraq and some internal unrest in Venezuela, a major oil exporting country.

### **Interest rates**

In November 2002, the Federal Reserve lowered the federal funds rate by 50 basis points, to the level of 1.25 percent per annum, to support the US recovery. The European Central Bank also lowered its policy rate by 50 basis points to the level of 2.75 percent per annum at the end of the year. In Japan, the authority kept the interest rate at zero percent in order to support and stimulate the Japanese economy.

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

• **The trade account registered a surplus due to rapid growth of exports as trading partners' economies recovered.**

• **The services, income and transfers account recorded a larger surplus compared to the year before as income from tourism rose strongly while interest payments of both the private and public sectors declined. This led to a sizeable current account surplus.**

• **Net capital movements registered a smaller deficit compared to 2001 because there were large capital inflows through the BOT, part of which was set aside for the repayment of the IMF loan package, and the banking sector as commercial banks reduced their foreign asset holdings.**

• **A larger surplus in the current account coupled with a smaller deficit in the net capital movements resulted in a larger balance of payments surplus compared to the previous year.**

**Exports.** In 2002, total export value rose by 5.8 percent due to a recovery in trading partners' economies as well as an expansion in intra-regional trade. Over the year, export volume grew continuously, and the recovery of export prices, the year-on-year growth of which began to turn positive in 2002 Q4, also helped contribute to the expansion of export value.

**Agricultural products.** Export prices exhibited an upward trend since May 2002, owing mainly to buoyant external demand. The export value of **rubber** rose

from both higher volume and higher price, driven largely by an expansion in the automobile industry. Although the volume of **rice** export declined year-on-year as a result of an unusually high base volume in the latter part of 2001 when Nigeria accelerated its import of Thai rice in anticipation of a tariff hike, the export value of rice still grew favourably due to an increase in price. As for **tapioca**, although its export price rose in 2002 H2 with strong demand from China for tapioca chips and pellets used to produce alcohol, its export value declined as a result of limited domestic supply. In addition, as a result of the rise in tapioca price, livestock producers in the EU turned to use cheaper local grains for feeding instead. The export value of **frozen fowl** also fell as a result of a continued decline in its export price since May due to intense competition from Brazil, following a production increase and the depreciation of the real, and China which had a cost advantage. The decline in price as well as in volume contributed to the fall in frozen fowl exports to the EU.

**Fishery products.** The export value of **frozen shrimp** declined, owing to both a fall in volume and a fall in price (particularly in the US market which accounted for over 40 percent of frozen shrimp exports from Thailand). With more supply coming from China, Vietnam and Brazil, the price of frozen shrimp in the world market was kept low, providing no incentive for Thai producers to expand production. In addition, there were problems concerning the EU's strict examination of antibiotic residues in shrimp. At present, the EU has already lifted its 100-percent inspection of Thai shrimp, provided that the Department of Fishery of Thailand maintains complete and strict inspection of exported shrimp and reports its inspection results to the EU on a monthly basis.

#### **Manufactured Products**

**Hi-tech products.** The export value of **electrical appliances**, namely televisions, radios, refrigerators and equipment, rose, and so did the export value of **telecommunication equipment**. Even though the export value of **computers and parts** as well as **integrated circuits and parts** declined from the previous year, signs of improvement were observed in 2002 H2. Meanwhile, the export value of **base metal products** increased, in particular iron and steel export to the US, Taiwan and China. The export value of **vehicles and parts** also rose, with the Australian and ASEAN markets capturing increasing export shares. In addition, the export value of **plastic products** grew in line with an increase in the price of oil, which was used as a raw material for production, coupled with higher demand from China brought about by a reduction in its tariffs on imported plastic products. At the same time, the export value of **chemical products** rose in response to higher external demand following a recovery in trading partners' economies that also brought about an increase in export price.

**Labour-intensive products.** The export value of **garments**, especially to the US (accounting for more than 50 percent) and the EU, declined due to keen



competition against cheap and low-quality products from China and Indonesia. In addition, the export value of **footwear** continued to fall as a result of competition from China, which possessed a cost advantage. However, the export value of **precious stones and jewellery** grew, despite a decline in export to the US market, because there was an expansion of sales to the Middle East market.

**Domestic resource-based products.** Despite an expansion in export volume, the export value of **canned seafood** fell as a result of lower export price in line with a decline in raw material prices. The export value of **furniture and parts**, especially to the US, rose as consumers abroad switched to buy cheaper imported products. Meanwhile, the export volume of **sugar** continued to grow with increased domestic supply while Russia also expedited import before the imposition of tariff on imported sugar starting 1 July 2002. Nevertheless, a fall in the export price of sugar due to large supply from Brazil coupled with the depreciation of the real caused the overall export value of sugar to decline from the previous year. The export value of **rubber products** rose, however, due to an increase in external demand for pneumatic tyre cases in line with an expansion of the automobile industry. The export value of **canned pineapple** also rose primarily from the price factor as supply continued to be limited due to shortage of raw materials.

**Imports.** For the entire year, total import value rose by 4.6 percent in tandem with an increase in import volume as both domestic demand and exports recovered. Import prices fell on the whole, however, despite some recovery in 2002 Q4.

**Consumer goods.** The import value of durable goods, most notably electrical appliances and household goods, rose while the import value of non-durable products edged up only slightly in the categories of food and beverages, toilet and cleaning articles, clothing and footwear, and medicinal and pharmaceutical products.

**Intermediate products and raw materials.** The import value of **computers** expanded in line with an increase in demand for electronic media in both the public and private sectors. However, the import value of **computer parts** fell as the export of computers declined. Meanwhile, the import value of **integrated circuits and parts** showed an expanding trend along with rising IT-related exports. The import value of **jewellery** also rose as more raw materials were brought in due to a shortage of domestic supply. The import value of **iron and steel** increased in tandem with high demand from the construction and automobile industries.

**Capital goods.** The import volume of **non-electrical machinery and parts**, especially those used in the automobile, construction, paper and metal industries, as well as office machines, showed a favourable upward trend in 2002 H2. At the same time, the import volume of **electrical machinery and parts**, which were used mainly by the electronics industry, also rose.

**Vehicles and parts.** The import value of vehicles and parts, especially chassis and bodies, increased in line with rising exports and domestic demand.

**Crude oil.** The import volume of crude oil continued to grow while the average import price fell from 23 US dollars per barrel in 2001 to 22 US dollars per barrel in 2002. However, the import price of crude oil has exhibited an upward trend since the beginning of 2003 with rising concerns over the possible war between the US and Iraq and internal political problems in Venezuela (the world's fifth largest oil producer).

**Trade balance and current account.** The trade balance registered a surplus of US\$3.4 billion in 2002, up from the previous year as exports expanded faster than imports. The services, income and transfers account posed a surplus of US\$4.2 billion (somewhat higher than a surplus of US\$3.7 billion in 2001) as revenue from tourism rose strongly while interest payment from both the private and public sectors declined in tandem with a gradual reduction in the external debt stock and falling world interest rates. As a result, the current account recorded a surplus of US\$7.6 billion, up from a surplus of US\$6.2 billion in 2001.

**Capital and Financial Account.** Net capital movements registered a preliminary deficit of US\$4.7 billion in 2002, improving from a deficit of US\$5.1 billion in the previous year as there were large capital inflows through the BOT, part of which was set aside for the repayment of the IMF loan package, and the banking sector as commercial banks reduced their foreign asset holdings.

**Capital flows of the private sector.** Private capital flows recorded a deficit of US\$6.2 billion, which was higher than in the previous year by approximately 50 percent. This was caused by a deficit of US\$8.2 billion in the non-bank private sector, owing mainly to a significant increase in the outflow of funds through non-resident baht accounts while the inflow of foreign direct investment fell to only US\$0.6 billion this year. At the same time, external debt repayment of the non-bank sector amounted to US\$2.8 billion, which was comparable to the level seen in the previous year. On the other hand, the banking sector switched from registering a deficit to posing a surplus of US\$2 billion as a result of increasing exporters' confidence in the baht, which subsequently led them to accelerate forward sales of foreign currencies. With a decline in their net outstanding forward obligations (oversold), commercial banks reduced their foreign asset holdings. Moreover, they invested more in short-term government securities that were issued abroad, especially the Euro Commercial Papers (ECPs). Meanwhile, external debt repayment by the banking sector (commercial banks and BIBFs) declined slightly from the previous year.

**Capital flows of the public sector (including the BOT).** The BOT registered a surplus of US\$4 billion in 2002, compared to a deficit of US\$0.4 billion in 2001. This reversal came as a result of large capital inflows through the BOT, some of which was set aside for the repayment of the IMF loan package that amounted to US\$3.8 billion in 2002. On the other hand, the government sector's

deficit widened to US\$2.5 billion as both the government and state enterprises restructured their external debt obligations, the result of which was a total repayment of US\$3.7 billion, including both the on-schedule and prepaid portions. A number of government projects were also refinanced, with some of them done through the issuance of short-term debt securities (ECP) abroad. In addition, there was a redemption of Yankee bonds as well as a repurchase of government bonds from overseas secondary markets.

**Balance of payments.** A large current account surplus coupled with a smaller deficit in the capital account (compared to last year) resulted in a balance of payments surplus of US\$4.2 billion, up from a surplus of US\$1.3 billion in 2001. Therefore, year-end international reserves rose to US\$38.9 billion, equivalent to 7.4 months of imports. Net outstanding forward obligations of the BOT stood at US\$0.5 billion.

**Table 15 : Balance of Payments**

(Unit : Million US\$)

	2001			2002 <sup>1/</sup>		
	H1	H2	Year	H1	H2	Year
Exports, f.o.b.	31,654	31,536	63,190	31,178	35,708	66,886
Δ%	-1.0	-12.2	-6.9	-1.5	13.2	5.8
Imports, c.i.f.	31,182	29,483	60,665	29,865	33,568	63,433
Δ%	7.2	-11.5	-2.8	-4.2	13.9	4.6
Trade Balance	472	2,053	2,525	1,313	2,140	3,453
Services, Income and Transfers	1,932	1,779	3,711	1,438	2,740	4,178
Current Account Balance	2,404	3,832	6,236	2,751	4,880	7,631
Capital Movements (net)	-3,040	-2,044	-5,084	-721	-3,967	-4,688
Private Sector	-2,049	-2,079	-4,128	-3,482	-2,705	-6,187
Bank	-2,227	175	-2,052	1,006	980	1,986
Commercial Bank	-1,826	1,070	-756	1,354	2,056	3,410
BIBF	-401	-895	-1,296	-348	-1,076	-1,424
Non-bank	178	-2,254	-2,076	-4,488	-3,685	-8,173
Public Sector	-64	-503	-567	-590	-1,943	-2,533
Bank of Thailand	-927	538	-389	3,351	681	4,032
Errors and Omissions	404	-239	165	750	541	1,291
<b>Overall Balance<sup>2/</sup></b>	<b>-232</b>	<b>1,549</b>	<b>1,317</b>	<b>2,780</b>	<b>1,454</b>	<b>4,234</b>

**Note :** 1/ = Preliminary data      2/ = Actual data

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

**Source :** Customs Department and Bank of Thailand

## External Debt

- **The stock of external debt declined as a result of debt repayment by the non-bank private sector and the BOT.**

### **Compared to end-November 2002**

**Total external debt** as of end-December 2002 stood at US\$59.2 billion, declining by US\$0.4 billion from end-November 2002. The fall in external debt was a result of debt repayment, amounting to US\$0.9 billion, primarily from the non-bank private sector and the BOT. However, an appreciation of the yen led to a valuation change in the existing stock of debt. Thus, the stock of external debt in US dollar terms was reduced by only US\$0.4 billion.

**External debt of the private sector.** In December 2002, external debt repayment by the private sector amounted to US\$0.4 billion. Although external debt rose by US\$0.2 billion in the banking sector due to an inflow of short-term loans to enhance liquidity around the end of the accounting period, non-bank external debt declined by US\$0.6 billion with a repayment of trade credits as well as a repayment of debt falling due of the non-bank lending business.

**External debt of the public sector (including the BOT).** In December 2002, external debt of the public sector was at a level comparable to the previous month. While government external debt increased by US\$0.4 billion due to a disbursement of USEXIM loans by state enterprises, part of which was used for the redemption of short-term external debt securities (ECP), the BOT made an external debt repayment of US\$0.4 billion for the IMF loan package. As a result, the overall external debt stock of the public sector remained unchanged.

### **Compared to end-2001**

The overall external debt stock fell by US\$8.2 billion in 2002, as both private and public sector debt declined.

**External debt of the private sector.** Debt repayment of the private sector amounted to US\$4.6 billion. However, due to a substantial appreciation of the yen over this year and hence an upward revaluation of yen-denominated debt, the stock of external debt in US dollar terms fell by only US\$3.4 billion. Most of the debt repayment was for long-term loans between unaffiliated agencies and long-term debt instruments issued by non-bank businesses. As for short-term debt repayment by the private sector, most of it was a repayment of short-term loans in the banking sector by both commercial banks and BIBFs. However, short-term debt, especially in the form of trade credits, rose.

**External debt of the public sector (including the BOT).** Debt repayment of the public sector amounted to US\$6.3 billion. However, the stock of external

**Table 16: External Debt Outstanding***(Unit : Million US\$)*

	2000	2001	2002		Dec.-02 Compared to	
			Nov.	Dec.	Nov.-02	Dec.-01
<b>1. Public Sector</b>	<b>33,913</b>	<b>28,308</b>	<b>23,451</b>	<b>23,466</b>	<b>15</b>	<b>-4,842</b>
<b>BOT (Long-term)</b>	<b>12,019</b>	<b>8,325</b>	<b>5,288</b>	<b>4,902</b>	<b>-386</b>	<b>-3,423</b>
<b>Govt and State</b>						
<b>Enterprises</b>	<b>21,894</b>	<b>19,983</b>	<b>18,163</b>	<b>18,564</b>	<b>401</b>	<b>-1,419</b>
Long-term	21,868	19,836	17,421	17,927	506	-1,909
Short-term	26	147	742	637	-105	490
<b>2. Private Sector</b>	<b>45,802</b>	<b>39,203</b>	<b>36,174</b>	<b>35,786</b>	<b>-388</b>	<b>-3,417</b>
Long-term	31,134	25,961	22,789	22,669	-120	-3,292
Short-term	14,668	13,242	13,385	13,117	-268	-125
<b>Banks</b>	<b>12,157</b>	<b>9,354</b>	<b>7,883</b>	<b>8,133</b>	<b>250</b>	<b>-1,221</b>
Long-term	6,731	4,334	3,941	3,897	-44	-437
Short-term	5,426	5,020	3,942	4,236	294	-784
<b>Commercial Banks</b>	<b>3,921</b>	<b>3,262</b>	<b>2,670</b>	<b>2,956</b>	<b>286</b>	<b>-306</b>
Long-term	2,580	1,765	1,478	1,497	19	-268
Short-term	1,341	1,497	1,192	1,459	267	-38
<b>BIBFs</b>	<b>8,236</b>	<b>6,092</b>	<b>5,213</b>	<b>5,177</b>	<b>-36</b>	<b>-915</b>
Long-term	4,151	2,569	2,463	2,400	-63	-169
Short-term	4,085	3,523	2,750	2,777	27	-746
<b>Non-Banks</b>	<b>33,645</b>	<b>29,849</b>	<b>28,291</b>	<b>27,653</b>	<b>-638</b>	<b>-2,196</b>
Long-term	24,403	21,627	18,848	18,772	-76	-2,855
Short term	9,242	8,222	9,443	8,881	-562	659
<b>Total Debt (1+2)</b>	<b>79,715</b>	<b>67,511</b>	<b>59,625</b>	<b>59,252</b>	<b>-373</b>	<b>-8,259</b>
Long-term	65,021	54,122	45,498	45,498	0	-8,624
Short-term	14,694	13,389	14,127	13,754	-373	365
<b>Share (%)</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		
Long-term	81.6	80.2	76.3	76.8		
Short-term	18.4	19.8	23.7	23.2		
<b>Share (%)</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>		
Private	57.5	58.1	60.7	60.4		
Public	42.5	41.9	39.3	39.6		

Source : Bank of Thailand

debt declined by only US\$4.8 billion due to the effect of valuation change. The BOT repaid US\$3.8 billion for its IMF loan package, and the government sector made a repayment for its long-term debt securities, an early repayment for its Structural Adjustment Loans (SAL), and both on-schedule and early repayment for other project loans, all of which amounted to US\$4.2 billion. Of that total, US\$1.2 billion was refinanced by the issuance of ECP, part of which was subsequently brought back by domestic commercial banks and hence pushing up external short-term debt by only US\$0.5 billion.

**External debt structure.** The ratio of long-term to short-term debt at end-December 2002 was 77:23, comparable to the ratio observed in November 2002. However, the ratio had changed somewhat from 80:20 at end-2001, owing mainly to the issuance of ECP by the government to refinance long-term loans, the issuance of short-term debt instruments by the non-bank private sector, and the increase in trade credits received in line with rising imports. The ratio of private to public debt stood at 60:40.

## Fiscal Conditions

**According to the Budget Act B.E. 2545 (2002)**, net revenue of the government was estimated at B823 billion while government expenditure was budgeted at B1,023 billion, resulting in an estimated budget deficit of B200 billion for the fiscal year. However, as the government was able to collect more revenue than originally anticipated, the budget deficit forecast was subsequently revised to B170 billion.

Government revenue, especially tax revenue, expanded well throughout the year. On the other hand, even though government expenditure accelerated in the first half of the fiscal year due to the government's effort to speed up disbursement, it began to slow down in the latter half. For the entire fiscal year, the government recorded a cash deficit of B118.7 billion, equivalent to 2.2 percent of GDP.

**For fiscal year 2003 (FY 2003)**, economic growth was originally projected to continue with the private sector likely to serve as the main thrust of growth while the role of the government was expected to diminish by means of a gradual reduction in the fiscal deficit so as to maintain fiscal discipline and sustainability in the medium term. The government thus set the budget expenditure at B999.9 billion. With a revenue projection of B825 billion according to the Budget Act B.E. 2546 (2003), the budget deficit in FY 2003 was originally projected at B174.9 billion.

Thus far, however, the economy has recovered better than expected, so the government has revised its revenue projection upward to B867.4 billion.

**Table 17: Treasury Account Position***(Unit : Billion baht)*

Fiscal Year	2002	2003			
	Year	Oct.	Nov.	Dec.	Q1
Revenue	845.4	63.9	65.1	75.8	204.8
Δ%	10.5	15.2	8.5	31.1	18.2
Expenditure	972.2	86.8	79.3	74.1	240.2
Δ%	11.0	-14.8	-3.3	1.3	-6.6
Budgetary Deficit (-) or Surplus (+)	-126.8	-22.9	-14.2	1.7	-35.4
Non-budgetary Deficit (-) or Surplus (+)	8.1	10.0	-3.2	-2.4	4.4
<b>Cash Deficit (-) or Surplus (+)</b>	<b>-118.7</b>	<b>-12.9</b>	<b>-17.4</b>	<b>-0.7</b>	<b>-31.0</b>
(% of GDP)	(-2.2)				
Disbursement Rate (%)	89.2	7.8	7.3	6.8	21.9
(Excluding Principal Repayment)					
<b>Financing</b>					
Net Domestic Borrowing	161.0	-18.2	14.6	14.1	10.6
Net Foreign Borrowing	-31.9	-0.3	-1.4	-1.2	-3.0
Use of Treasury Cash Balance	-10.4	31.4	4.2	-12.2	23.4
<b>Treasury Cash Balance (end-period)</b>	<b>82.8</b>	<b>51.4</b>	<b>47.2</b>	<b>59.4</b>	<b>59.4</b>
<b>Note :</b> Δ% represents percentage change from the same period last year.					
<b>Source :</b> Comptroller-General's Department, Ministry of Finance Data Management Group, Bank of Thailand					

This leads to a fall in the budget deficit forecast to B132.5 billion, which is expected to be around 2.3 percent of GDP.

In FY 2003 Q1, government revenue continued to expand well while government expenditure decelerated. As a result, the government registered a cash deficit of B31 billion, which was smaller than the deficit seen in FY 2002 Q1.

## A. Fiscal Position

### Government Revenue

In FY 2002, revenue remitted to the treasury account totalled B845.4 billion, up by 10.5 percent from the previous fiscal year. Tax revenue expanded considerably throughout the year, but non-tax revenue slowed down towards the

**Table 18 : Government Revenues**  
(Unit : Billion baht)

Fiscal Year	2002	2003			
	Year	Oct.	Nov.	Dec.	Q1
<b>Total Revenue</b>	<b>845.4</b>	<b>63.9</b>	<b>65.1</b>	<b>75.8</b>	<b>204.8</b>
Δ%	10.5	15.2	8.5	31.1	18.2
<b>Tax Revenue</b>	<b>758.0</b>	<b>59.3</b>	<b>62.3</b>	<b>65.3</b>	<b>186.9</b>
Δ%	10.7	16.2	10.0	26.4	17.3
– <b>Income base</b>	<b>279.3</b>	<b>14.7</b>	<b>13.9</b>	<b>18.9</b>	<b>47.5</b>
Δ%	10.2	29.4	–7.9	31.6	16.4
Personal income tax	103.2	7.9	8.0	8.1	24.0
Δ%	6.4	7.8	5.0	10.4	7.7
Corporate income tax	157.2	6.8	5.9	10.8	23.5
Δ%	12.6	80.0	–20.9	53.8	28.5
– <b>Consumption base</b>	<b>362.3</b>	<b>35.4</b>	<b>35.4</b>	<b>37.1</b>	<b>108.0</b>
Δ%	13.5	13.8	18.8	25.3	19.2
Value added tax	138.7	14.7	14.2	16.1	45.0
Δ%	8.8	19.3	23.1	27.5	23.3
Excise tax	210.0	19.5	20.2	20.1	59.8
Δ%	17.4	11.3	19.1	26.3	18.7
– <b>International trade base</b>	<b>95.1</b>	<b>8.6</b>	<b>9.5</b>	<b>8.9</b>	<b>27.0</b>
Δ%	5.2	5.3	13.8	21.8	13.3
<b>Other Revenue</b>	<b>87.4</b>	<b>4.6</b>	<b>2.8</b>	<b>10.5</b>	<b>17.9</b>
Δ%	8.1	4.4	–17.9	70.0	27.9

**Note :** Δ% represents percentage change from the same period last year.  
**Source :** Comptroller-General's Department, Ministry of Finance  
Data Management Group, Bank of Thailand

end of the fiscal year following an acceleration in revenue remittance by state enterprises around the middle of the fiscal year.

Total tax revenue amounted to B758 billion, up by 10.7 percent from the previous year due to an increase in almost all types of consumption-based, income-based, and international trade-based tax collection. This owed in part to the continued recovery of the economy and in part to better tax administration as well as an expansion of the tax bases. For the entire fiscal year, revenue from excise taxes rose by 17.4 percent, mostly as a result of higher revenue collected



from the production of alcoholic beverages, vehicles and motorcycles, and petroleum and petroleum products. Corporate income taxes rose by 12.6 percent in tandem with better corporate performance and the economic recovery at large. Meanwhile, the value added tax (VAT) rose by 8.8 percent in line with more purchases of goods and services. Personal income taxes rose by 6.4 percent on the whole, due mainly to an increase in wages and salaries as the labour market conditions improved. Tax on interest income continued to decline, however, owing to falling interest rates. Import duties rose by 5.1 percent in line with rising import value since FY 2002 Q3.

Non-tax revenue equalled B87.4 billion, rising by 8.1 percent in FY 2002. Of this amount, revenue remitted by state enterprises accounted for B48.5 billion, including B10 billion from PTT Public Company Limited, B8.3 billion from TOT Corporation Public Company Limited, B7.5 billion from the Electricity Generating Authority of Thailand, B4.6 billion from the Communications Authority of Thailand, B3.9 billion from the Airports Authority of Thailand, and B3.4 billion from the Tourism Authority of Thailand.

During this fiscal year, the government transferred part of its VAT revenue to local administrative authorities in keeping with the government's decentralization policy. The amount transferred totalled B16.5 billion.

Net government revenue collection (including VAT transferred to local administrative authorities) amounted to B869 billion in FY 2002, exceeding the target stated in the Budget Act by as much as B46 billion. While tax revenue was higher than its target by B40 billion, non-tax revenue was higher than its target by B6 billion.

**In FY 2003 Q1**, government revenue continued to rise, owing partly to the economic recovery. Revenue remitted to the government equalled B204.8 billion, up by 18.2 percent from the same period last fiscal year. Of that total, tax revenue accounted for B186.9 billion, expanding by 17.3 percent year-on-year, and non-tax revenue accounted for B17.9 billion, up by 27.9 percent year-on-year.

Major sources of tax revenue which expanded favourably in this quarter were corporate income taxes, VAT, excise taxes, and import duties. While the rise in corporate income taxes was attributable to better business performance, an upward trend in consumption led to a higher collection of VAT. Meanwhile, excise taxes grew in line with more tax collection on vehicles and alcoholic beverages, and import duties continued to rise with imports. Non-tax revenue also accelerated towards the end of this quarter as there were major remittances from state enterprises, including a remittance of B6.8 billion by TOT Corporation Public Company Limited.

Net revenue collection in this quarter was B193 billion, exceeding the target stated in the Budget Act by B18 billion. Tax revenue and non-tax revenue exceeded their targets by B16 billion and B2 billion, respectively.

## Government Expenditure

In FY 2002 H1, government expenditure accelerated significantly due to measures to speed up budget disbursement. The increase in disbursement was first seen in current expenditure during FY 2002 Q1, followed by that of capital expenditure in FY 2002 Q2. As a result, government expenditure grew by 14.5 and 27.0 percent year-on-year in FY 2002 Q1 and Q2, respectively. In FY 2002 Q3, however, government spending began to slow down, expanding by just 0.5 percent year-on-year. Spending was sped up once again towards the end of the fiscal year, and hence government expenditure grew by 3.2 percent year-on-year in FY 2002 Q4.

**Table 19 : Government Expenditure by Economic Classification**

(Unit : Billion baht)

Fiscal Year	2002	2003
	Year	Oct.
<b>Total Expenditure</b>	<b>972.2</b>	<b>86.8</b>
Δ%	11.0	-14.8
<b>Current Expenditure</b>	<b>761.6</b>	<b>77.0</b>
Δ%	11.3	-15.1
– Wages and salaries	323.9	31.0
Δ%	2.4	20.9
– Purchases of goods and services	174.9	7.6
Δ%	8.3	-7.5
– Interest payment	68.2	7.6
Δ%	7.1	-4.6
– Subsidies and transfers	194.6	30.9
Δ%	36.3	-36.9
<b>Capital Expenditure</b>	<b>210.6</b>	<b>9.7</b>
Δ%	9.8	-13.0
– Acquisition of fixed capital assets	139.0	9.3
Δ%	-10.5	-20.6
– Capital transfers	71.4	0.4
Δ%	98.5	-80.5
– Lending and purchases of share and financial assets	0.1	0.0
Δ%	-80.4	-100.0

**Note :** Δ% represents percentage change from the same period last year.  
**Source :** Comptroller-General's Department, Ministry of Finance  
 Data Management Group, Bank of Thailand

The budget disbursement rate for the entire fiscal year was 89.2 percent, up from 88.4 percent in the previous fiscal year.

For FY 2002 as a whole, total government expenditure amounted to B972.2 billion, up by 11.0 percent from the previous fiscal year. Of this amount, current expenditure accounted for B761.6 billion, expanding by 11.3 percent year-on-year, while capital expenditure accounted for B210.6 billion, up by 9.8 percent year-on-year.

In FY 2003 Q1, government expenditure was equal to B240.2 billion, falling by 6.6 percent year-on-year in part because the recently implemented public sector reform delayed the budget disbursement process of some governmental offices. At the same time, there was a delay in the disbursement of some items compared to the previous fiscal year. Nevertheless, budget disbursement accelerated slightly towards the end of this quarter, raising the quarterly disbursement rate to 21.9 percent, but even so it remained lower than the disbursement rate of 22.2 percent in FY 2002 Q1. Going forward, as the government continues to implement measures to speed up disbursement as in FY 2002, it is believed that the disbursement rate will accelerate in the remaining period of the fiscal year.

Major expenditure items in FY 2003 Q1 were as follows: B11.9 billion to the Education Loan Fund, B6.9 billion to the Universal Health Care Project, B3.9 billion to the State Railway of Thailand for the construction of parallel rail tracks, B3 billion to the Fund for Farmers Assistance, B2.8 billion as interest expenses for the farmers' debt suspension scheme, and B2.5 billion to the Government Pension Fund as a reserve fund.

### **Government Financing**

In FY 2002, the government recorded a cash deficit of B118.7 billion, which was equivalent to 2.2 percent of GDP. The government financed the budget deficit with a net domestic borrowing of B161 billion. With a foreign loan repayment of B31.9 billion, the treasury reserves rose by B10.4 billion, resulting in a fiscal year-end outstanding balance of B82.8 billion.

Compared to the financing target set in the Budget Act B.E. 2545 (2002), government borrowing of B170 billion was below target by B30 billion as a result of better-than-expected revenue outturn. Of the government securities issued during this fiscal year, B85 billion was in the form of government bonds, B25 billion was in the form of promissory notes, and B60 billion was in the form of treasury bills.

During FY 2003 Q1, the government financed its cash deficit of B31 billion with a net borrowing of B10.6 billion from the domestic market and using another B23.4 billion from the treasury reserves. Meanwhile, the government repaid its foreign debt by B3 billion. This reduced the outstanding balance of the treasury reserves to B59.4 billion at the end of the quarter.

**Table 20: State Enterprise Balance**  
(Unit : Billion baht)

Fiscal Year	2000	2001	2002
Retained Income	122.7	168.3	158.5
Δ%	37.4	37.2	-5.8
Capital Expenditure	171.3	152.3	118.5
Δ%	-2.4	-11.1	-22.2
State Enterprise Balance	-48.6	16.0	40.0
(% of GDP)	(-1.0)	(0.3)	(0.8)

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

**Source :** Office of the National Economic and Social Development Board

### State Enterprises

In FY 2002, net operating profits of state enterprises amounted to B102.3 billion, up by 22.8 percent from the previous fiscal year partly as a result of the decline in operating costs coupled with higher net foreign exchange gains. However, retained income of state enterprises amounted to B158.5 billion, down by 5.8 percent from the previous fiscal year due in part to the absence of income from share premiums coupled with falling revenue from asset sales.

State enterprises disbursed B118.5 billion of capital expenditure during this fiscal year. The amount was equivalent to only 73.3 percent of the disbursement target and fell by 22.2 percent from the previous fiscal year's level. This resulted from changes in the equipment procurement procedures of some state enterprises as well as from delays in large projects such as the construction of Suvarnabhumi Airport and Bor Nok and Baan Hin Krud power plants.

For the entire fiscal year, state enterprises recorded an altogether surplus of B40 billion, which was equivalent to 0.8 percent of GDP.

### B. Public Debt

At the end of FY 2002, total public debt stood at B2,934.9 billion or 55.1 percent of GDP, compared with B2,931.7 billion or 57.6 percent of GDP at the end of FY 2001.

Public debt in the form of direct government borrowing amounted to B1,670.5 billion or 31.4 percent of GDP. Debt of non-financial state enterprises, both government-guaranteed and non-guaranteed, totalled B907.1 billion or 17.0 percent of GDP. Debt outstanding of the Financial Institutions Development Fund (FIDF) amounted to B357.3 billion or 6.7 percent of GDP.

**Table 21 : Public Debt Position**  
(Unit : Billion baht)

Fiscal Year	2000	2001	2002
<b>1. Government's direct debt</b>	<b>1,113.9</b>	<b>1,263.7</b>	<b>1,670.5</b>
(% of GDP)	(22.8)	(24.8)	(31.4)
1.1 Foreign debt	395.2	449.6	409.6
1.2 Domestic debt	718.7	814.1	1,261.0
<b>2. State enterprise debt</b>	<b>908.9</b>	<b>970.5</b>	<b>907.1</b>
(% of GDP)	(18.6)	(19.1)	(17.0)
2.1 With government guarantee	775.6	796.4	772.0
Foreign debt	422.6	384.8	351.4
Domestic debt	353.0	411.6	420.6
2.2 Without government guarantee	133.3	174.1	135.2
Foreign debt	48.5	74.9	63.2
Domestic debt	84.8	99.2	71.9
<b>3. FIDF debt</b>	<b>781.4</b>	<b>697.5</b>	<b>357.3</b>
(% of GDP)	(16.0)	(13.7)	(6.7)
3.1 With government guarantee	0.0	112.0	112.0
3.2 Without government guarantee	781.4	585.5	245.3
<b>4. Total (1+2+3)</b>	<b>2,804.3</b>	<b>2,931.7</b>	<b>2,934.9</b>
(% of GDP)	(57.3)	(57.6)	(55.1)

Source : Public Debt Management Office, Ministry of Finance

## Monetary Conditions

### A. Monetary Base and Money Supply

- Both the monetary base and money supply continued to expand

In 2002, the **monetary base** expanded in line with the economic recovery, rising by 13.7 percent year-on-year from B556.3 billion at end-2001 to B632.7 billion at end-2002.

Supply-side factors which affected the growth of monetary base were as follows: (1) a continued increase in net foreign assets of the public sector, despite foreign debt repayments by both the public and private sectors over the year, due to foreign exchange acquisition of the authority; (2) a decline in net claims on the government compared to the previous year due to a lower-than-expected government cash deficit; (3) a reduction in BOT borrowing through the repurchase market

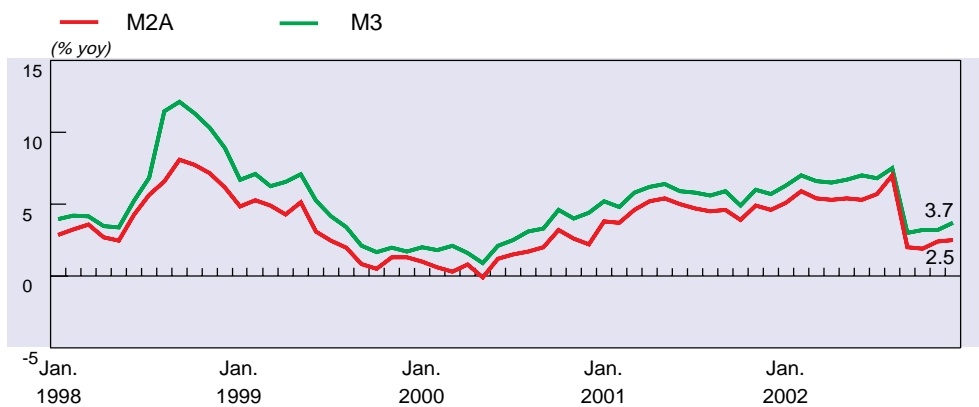
## Monetary Base



between September and December 2002, in order to facilitate liquidity adjustment following the settlement period of the government saving bonds issued to fiscalise FIDF losses.

For the entire year, M2A and M3 expanded moderately by 2.5 and 3.7 percent, respectively. These expansion rates were lower than the expansion rate

## Growth Rate of Money Supply



Note : Since January 2002, data from 56 finance companies already closed down are excluded.  
Source : BOT reports and surveys

of the monetary base and were consistent with a low inflation environment. During the first 8 months of the year, M2A and M3 grew by 5.6 and 6.8 percent year-on-year, respectively, due to an increase in deposits at commercial banks and finance companies. However, during the last 4 months of the year, M2A and M3 grew by only 2.2 and 3.3 percent year-on-year, respectively, as private deposits were withdrawn to purchase government saving bonds.

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

- **The baht appreciated during 2002 H1 before weakening in 2002 H2 as a result of external factors.**

- **Short-term money market rates remained low as liquidity continued to be high.**

- **Government bond yields declined over the year.**

### **Exchange Rate**

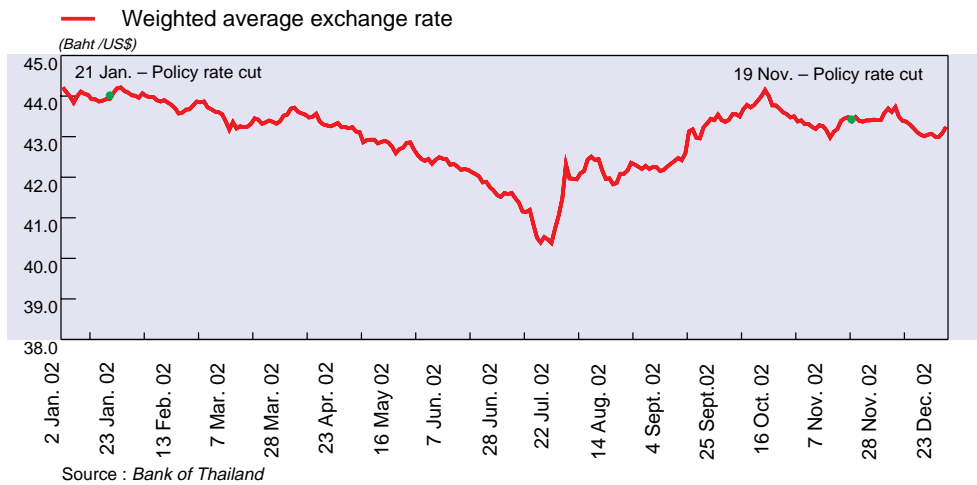
In 2002, the baht (reference rate) fluctuated within the range of 40.38 - 44.21 baht per US dollar, averaging at 43.00 baht per US dollar which was equivalent to a 3.3 percent appreciation from the previous year. Throughout the first half of this year, the baht strengthened vis-à-vis the US dollar, but it subsequently depreciated against the US dollar in the latter half of the year while gaining more stability.

The appreciation of the baht in 2002 H1 was supported mainly by external factors, most importantly an appreciation of the yen against the US dollar in line with higher uncertainties in the US economic recovery and deteriorating investors' confidence from accounting scandals in the US. Meanwhile, a number of domestic factors also helped to raise confidence in the baht, namely, a higher-than-expected GDP growth rate, a strong rebound in domestic demand, and capital inflows into the Thai stock market.

In 2002 H2, the baht started to depreciate continuously after reaching to strongest reference rate of 40.38 baht per US dollar in July 2002. Major external factors underlying the weakening of the baht included the following: (1) sales of Asian equities by US funds to make up for losses incurred in the US stock market; (2) uncertainties associated with rising political tensions in the Middle East; (3) a depreciation of the yen; and (4) a slowdown of regional stock markets. At the same time, domestic factors such as an increase in demand for forward contracts by non-residents to hedge against exchange rate risks and a repayment of foreign debt by the government which continued throughout 2002 H2 added downward pressure on the baht. As a result, the baht reference rate weakened to 44.15 baht per US dollar in October 2002.

Nevertheless, the baht became more stable during the last 2 months of the year and was once again on a strengthening trend as uncertainties in the US economic recovery mounted while the Thai economy looked to improve.

### Movements of Exchange Rate (2 Jan. – 27 Dec. 2002)

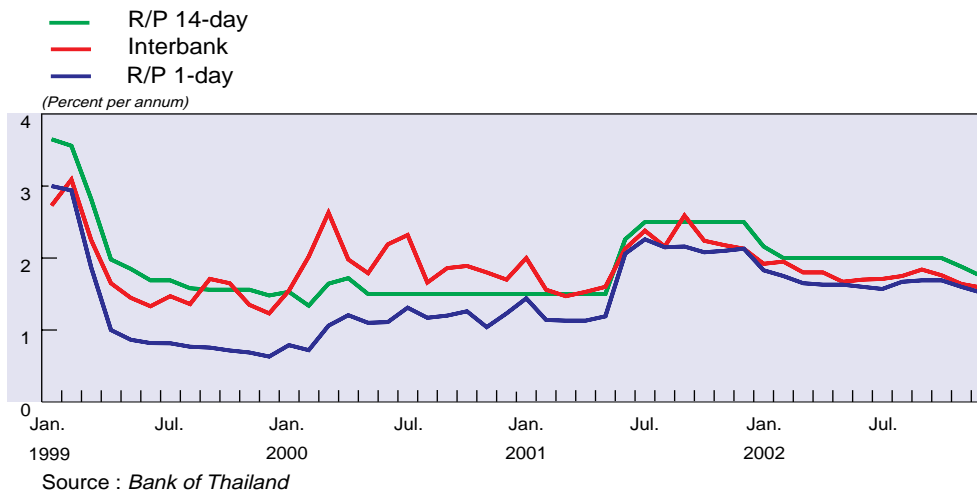


### Short-term Interest Rates

In 2002 H1, short-term money market rates continued to fall as liquidity remained high in the financial market. At the same time, a reduction in the policy rate by 0.25 percent per annum in late January 2002 added downward pressure on money market rates, pushing the average overnight interbank rate down from 2.19 percent per annum in 2001 Q4 to 1.89 and 1.72 percent per annum in 2002 Q1 and Q2, respectively. The 1-day repurchase rate also fell, averaging at 1.74 and 1.62 percent per annum in 2002 Q1 and Q2 respectively.

In 2002 Q3, the overnight interbank rate and the 1-day repurchase rate continued to stay low, averaging at 1.77 and 1.64 percent per annum, respectively. In particular, liquidity preparation by commercial banks since August 2002,

### Interest Rates in the Money Market





in anticipation of the settlement of government saving bonds around early September 2002, led to a significant decline in short-term money market rates. After this temporary event, however, money market interest rates resumed their previous trends.

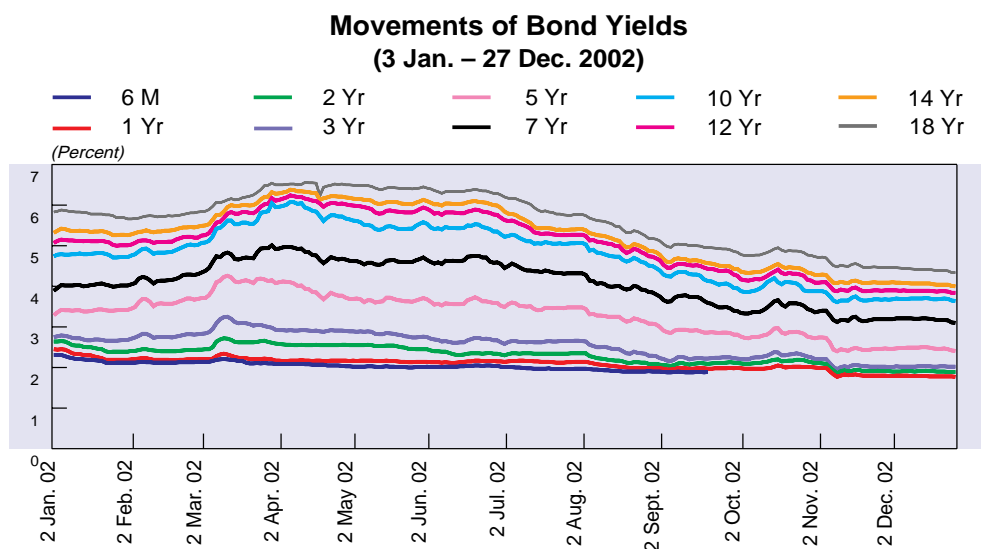
A reduction in the federal funds rate coupled with domestic market perception that there was room to ease monetary policy further added downward pressure on both money market interest rates and the policy rate in 2002 Q4. Therefore, when the policy rate was reduced as expected, money market interest rates adjusted downward in line with the policy signal.

Towards the end of the year, liquidity tightened somewhat as commercial banks prepared for funds withdrawal before the New Year. The BOT thus injected liquidity into the system through the repurchase market to help alleviate such upward pressure on money market rates. For the entire quarter, the overnight interbank rate and the 1-day repurchase rate averaged at 1.67 and 1.61 percent per annum, respectively.

### Government Bond Yields

During the first 4 months of 2002, government bond yields continued to decline from the end of 2001 in tandem with falling interest rate expectations. Nevertheless, bond yields fluctuated at times in response to profit realisation by financial institutions.

In May 2002, large fluctuations in government bond yields were observed as a result of uncertainties in the resolution plan for FIDF losses. Once a comprehensive resolution plan was announced in June and investors realised that



the supply of bonds in the secondary market would not be affected by the plan, however, bond trading volume rose, in particular that of bonds with 5 to 10-year maturities, and yields declined across all maturities. The yield curve as a whole was flattened.

In 2002 Q3, government bond yields in the secondary market declined further from 2 main factors: (1) a downward trend in US bond yields, and (2) low supply of government bonds relative to demand from interbank dealers and end-investors who preferred long-term investment.

In 2002 Q4, government bond yields continued to decline in response to the following factors: (1) an announcement of government bond supply for FY 2003 which was considered low relative to demand for investment; (2) a reduction in commercial banks' deposit and lending rates at the beginning of the quarter; and (3) market anticipation of a domestic policy rate cut in line with a reduction in the federal funds rate. Subsequently, when the MPC decided to lower the policy rate by 0.25 percent per annum following a 0.50 percent reduction in the federal funds rate, government bond yields in the second market also edged down. Towards the end of the year, however, bond trading volume declined as usual as investors slowed down their trading activities.

### **C. Commercial Bank Deposits and Private Credits (Including Investment in Private Securities)**

- **Deposits expanded since the beginning of 2002, but its growth rate later moderated due to a withdrawal of funds to purchase government saving bonds.**

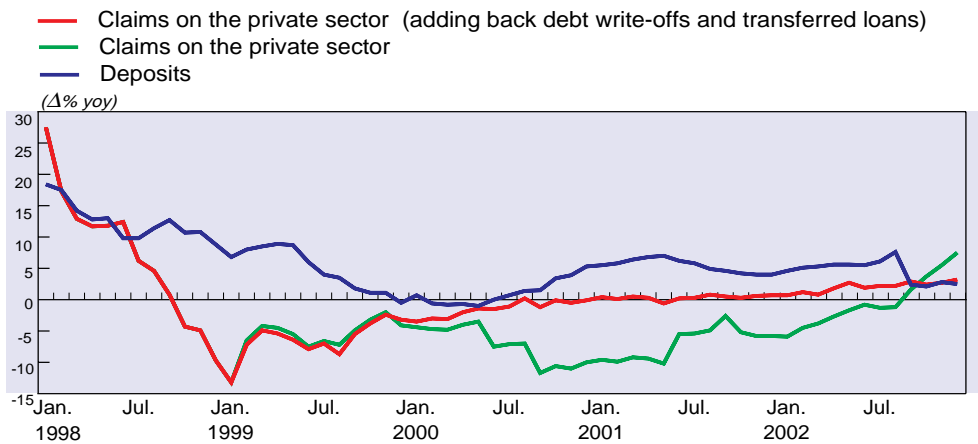
- **Private credits (including investment in private securities) showed signs of improvement.**

- **Commercial banks reduced their deposit and lending rates over the year.**

**Commercial bank deposits** grew in line with the overall economic expansion since the beginning of 2002. In addition, the status change of a group of finance and credit foncier companies to Thanachart Bank contributed to the growth of deposits at commercial banks, while the redemption of matured promissory notes of the 56 closed finance companies also resulted in cash being deposited back in the banking system. However, deposits moderated in the latter half of 2002 due to a withdrawal of funds for the purchases of government saving bonds. In December 2002, the year-on-year growth rate of deposits was 2.5 percent.

**Private credits (including investment in private securities)** showed signs of improvement in 2002, due in part to an improvement in private credits to major

### Growth Rates of Bank Deposits and Claims on the Private Sector



Note : Including Thanachart Bank  
 Source : BOT reports and surveys

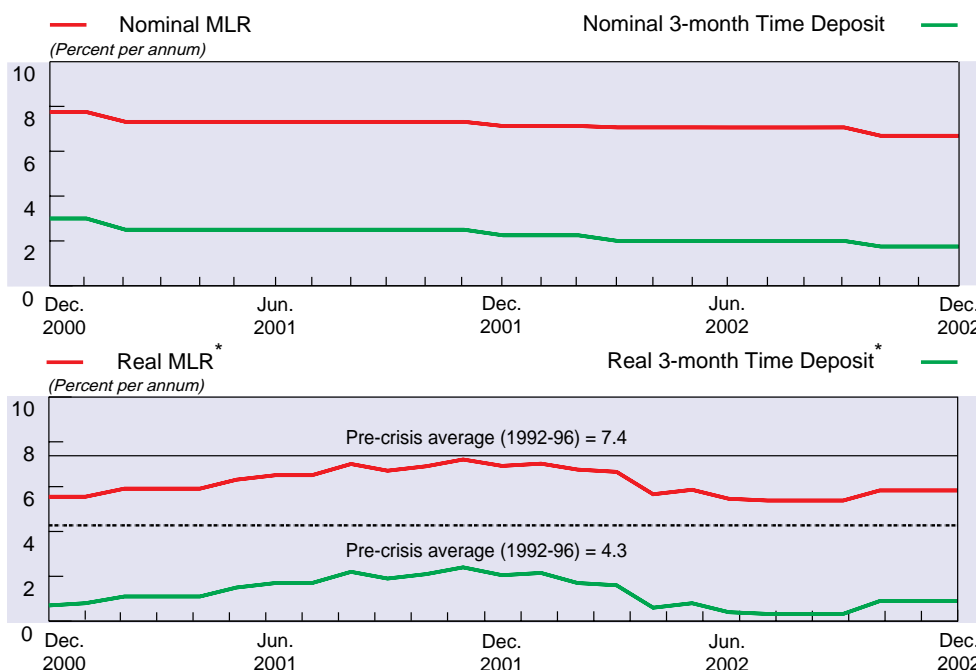
economic sectors in line with the strong economic recovery. At the same time, a change in the accounting practice regarding debt write-back also contributed to the growth of private credits. At end-December 2002, private credits rose by 7.5 percent year-on-year. As for private credits adding back debt write-offs and loans transferred to AMCs but excluding loans extended to AMCs, the outstanding amount at end-2002 grew by 3.2 percent year-on-year, having gradually improved from the beginning of the year.

Private credits became more broad-based in 2002. Credits for housing, personal consumption, and public utility, which altogether comprised about 18 percent of total credits, expanded quite well since the beginning of the year in line with buoyant private consumption. Meanwhile, more credits were channelled to major economic sectors such as manufacturing, commerce and trade, and hence these credit growth rates accelerated in 2002 Q4.

**Commercial banks' interest rates** were on a declining trend since the beginning of 2002, moving in line with liquidity conditions and policy rate signals. The 3-month fixed deposit rates of the four largest Thai commercial banks declined from the average of 2.25 percent per annum at end-2001 to 1.75 percent per annum at end-2002. At the same time, the minimum lending rates (MLR) of the four largest Thai commercial banks fell from the average of 7.125 percent per annum at end-2001 to 6.69 percent per annum at end-2002.

Real interest rates, both on the deposit and lending sides, declined as a result of falling nominal rates and rising inflation during the first three quarters of 2002, before edging up slightly in 2002 Q4. At end-December 2002, real MLR and real 3-month fixed deposit rates of the four largest Thai commercial banks averaged at 5.83 and 0.90 percent per annum, respectively.

### Nominal and Real Interest Rates of Commercial Banks



Note : \* Perceived inflation = change in prices from the past 6 months to the next 6 months.  
 Source : Interest rates quoted by the four largest Thai banks

### D. Operating Profits of Commercial Banks

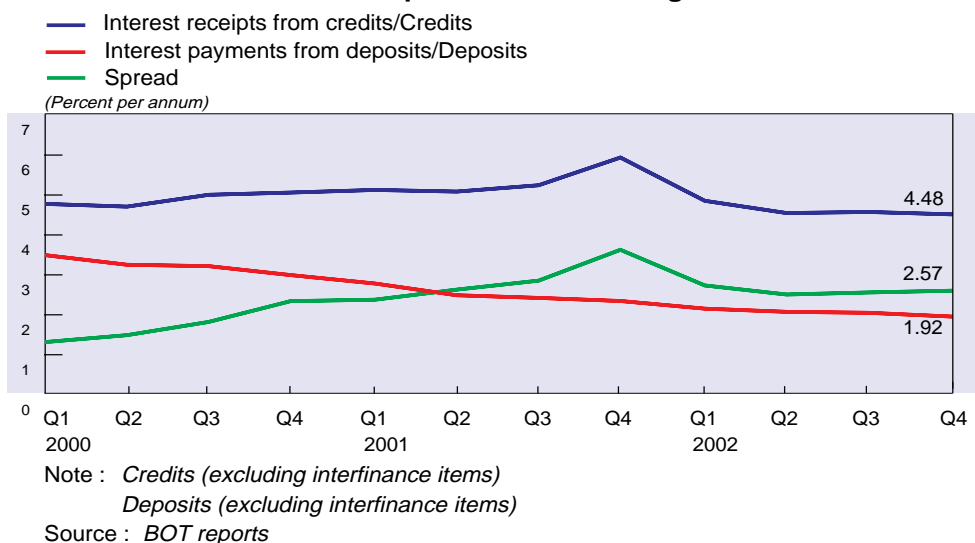
Business performance of commercial banks improved steadily during 2002, with profits (before loan loss provision) during the first nine months of the year rising from B31 billion in 2001 to B54.03 billion in 2002. Of that amount, operating profits of Thai commercial banks accounted for B42.31 billion, up from B15.03 billion during the same period last year. Higher profits came from higher net interest income due to falling interest expenses as well as from an increase in non-interest income, including fees, service charges and foreign exchange income. Moreover, non-interest expenses and loan loss provision declined.

Operating profits of foreign bank branches during the first nine months of the year fell from B15.96 billion in 2001 to B14.67 billion in 2002, however. This owed mainly to lower interest income and non-interest income while operating expenses edged up.

**The effective interest spread of commercial banks** narrowed from 2.84 percent per annum in 2001 to 2.57 percent per annum in 2002. This came mainly from a large reduction in interest receipts of both Thai commercial banks and foreign bank branches.

**The ratio of capital to risk assets** averaged at 14.10 percent during the first eleven months of this year, up from 13.29 percent in 2001. The ratio which

### Interest Spread of the Banking Sector



far exceeded the requirement of 8.5 percent reflected the soundness of commercial banks and helped raise confidence in the financial system.

**Non-performing loans (NPL)** were reclassified in 2002, with the new and broader concept consisting of two parts: (1) existing NPL, and (2) uncollateralised

**Table 22 : Operating Results of the Banking Sector**

(Unit : Billion baht)

	2001		2002		
	Year	Q4	Q1	Q2	Q3
<b>Banking system</b>					
Pre-provision profit	43.69	12.12	19.06	16.90	18.07
Loan loss provision	-55.30	-19.77	-5.47	-7.78	-7.18
Net profit/loss before tax	-11.60	-7.65	13.59	9.12	10.89
<b>Thai Banks</b>					
Pre-provision profit	22.72	7.11	15.26	12.52	14.53
Loan loss provision	-37.11	-7.91	-5.41	-9.52	-6.23
Net profit/loss before tax	-14.39	-0.80	9.85	3.00	8.30
<b>Foreign Banks</b>					
Pre-provision profit	20.97	5.01	3.79	4.39	3.54
Loan loss provision	-18.19	-11.86	-0.06	1.74	-0.95
Net profit/loss before tax	2.78	-6.85	3.73	6.13	2.59
<b>Source : BOT report</b>					

doubtful loans which had been fully provisioned for. This represented a move towards internationally accepted standard for NPL calculation. According to the new definition, NPL as of end-June 2002 stood at B843.313 billion, which was equivalent to 17.73 percent of outstanding loans.

As the BOT had yet to complete the modification of the NPL reporting system, new NPL figures were unavailable at the time when this report was written. The figures were expected to be released at end-January 2003. Under the old definition, however, NPL as of end-November 2002 stood at 10.01 percent of outstanding loans, staying comparable to 10.46 percent at end-2001.

Even though the new classification was likely to raise the ratio of NPL to outstanding loans upwards, it would not indicate a deterioration in the NPL problem as these assets had already existed in the system.

## Capital Market Developments

### Financing from the Non-bank Sector

In 2002, businesses and households had important sources of funds besides the banking system. They were as follows:

<b>Table 23 : Private Non-bank Financing Services</b>			
<i>(Unit : Billion baht)</i>			
	<b>2000</b>	<b>2001</b>	<b>2002<sup>P</sup></b>
<b>1. Finance Companies and Non-bank Credits<sup>1/</sup></b>			
Finance companies	-59.4	20.0	-81.4
Specialized financial institutions	65.4	51.5	93.8
Leasing and factoring businesses			
Debtors of four listed companies	-	-	-
Debtors of other companies	14.0	10.3	n.a.
Companies that lend for consumption	2.9	4.3	5.5
<b>2. Capital Market (Non-Financial Institutions)<sup>2/</sup></b>	<b>157.0</b>	<b>183.7</b>	<b>131.5</b>
Equity (ordinary and preferred shares)	59.0	100.7	56.3
Domestic debt instruments	98.0	83.0	75.2
<b>Total</b>	<b>179.9</b>	<b>269.8</b>	<b>149.4</b>
<b>Note :</b> 1/ <i>Change in the outstanding balance from the end of last year</i>			
2/ <i>Value of newly issued instruments (market value on the date of issue)</i>			
<b>P = Preliminary data</b>			

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**(1) The Stock Exchange of Thailand (SET)** where businesses could issue ordinary and preferred shares and debentures throughout the year. During 2002, non-bank businesses which used this channel most actively were those in the construction material, communications, and real estate sectors, in particular Siam Cement, Telecom Asia, and Italian-Thai Development.

**(2) Credits extended by specialized financial institutions.** During the first eleven months of 2002, credits from specialized financial institutions rose by B93.8 billion, compared with B51.5 billion in 2001. This owed mainly to government initiated projects such as the People's Bank and credit extension by the Small Industrial Finance Corporation (SIFC).

**(3) Leasing and hire-purchase credits from both listed and non-listed companies.** Leasing and hire-purchase credits for automobiles expanded at a particularly high rate in 2002.

#### **Developments in the Secondary Bond Market**

In 2002, total trading volume was B2,145 billion, up by 34.72 percent from 2001. The average daily trading volume also rose gradually from B6.9 billion in 2002 Q1 to B7.6, B9.7 and B10.7 billion in 2002 Q2, Q3 and Q4, respectively. The rise in the trading volume was supported by more supply of both government bonds and corporate debentures as well as by expectations of falling interest rates from policy signals, trends observed in the banking system, and increasing political tension between the US and Iraq.

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## **IMPORTANT MEASURES AND POLICIES**



## Important Measures and Policies

### Monetary Measures

#### A. Implementation of Monetary Policy

Meeting date	The MPC decision	Salient points
21 January 2002 <sup>1</sup>	Reduce the 14-day repurchase rate by 0.25 percent per annum from 2.25 to 2 percent per annum	Further easing in the monetary policy stance from late 2001 was meant to strengthen the ongoing economic recovery and to cushion against uncertainties in the global economy without creating inflationary pressure.
4 March 2002 <sup>2</sup> 22 April 2002 3 June 2002 22 July 2002 10 September 2002 21 October 2002	Maintain the 14-day repurchase rate at 2 percent per annum	The Thai economy continued to improve, and the recovery became more broad-based. External stability remained strong. In addition, the previous reduction in the policy rate had been sufficient in signalling the monetary policy stance to the market, and commercial banks were expected to further reduce their interest rates.
19 November 2002 <sup>3</sup>	Reduce the 14-day repurchase rate by 0.25 percent per annum from 2 to 1.75 percent per annum	External uncertainties became more apparent, especially with the ongoing fragility in the US economic recovery. Hence, the role of monetary policy in strengthening the domestic recovery should be increased.
12 December 2002 <sup>4</sup>	Maintain the 14-day repurchase rate at 1.75 percent per annum	The Thai economy continued to expand without pressure on inflation and external stability. The degree of external uncertainties remained unchanged from the previous meeting.

1 *BOT News No. 1/2002 dated 21 January 2002*

2 *BOT News No. 10/2002 dated 4 March 2002, BOT News No. 14/2002 dated 22 April 2002, BOT News No. 19/2002 dated 3 June 2002, BOT News No. 24/2002 dated 22 July 2002, BOT News No. 30/2002 dated 10 September 2002, BOT News No. 38/2002 dated 21 October 2002*

3 *BOT News No. 41/2002 dated 19 November 2002*

4 *BOT News No. 45/2002 dated 12 December 2002*

## **B. Money Market Development**

### **1. Approval for finance companies to borrow in the form of private repurchase transactions from institutional investors**

The BOT, with the Minister of Finance's consent, gave approval for finance companies and finance and securities companies to borrow in the form of private repurchase transactions from institutional investors such as mutual funds and provident funds. The BOT's supervisory and regulatory policies on private repurchase transactions of financial institutions, dated 25 December 2001, were to continue to apply, as well as other related regulations and supervisory measures.

(Circular dated 21 January 2002 and the Ministry of Finance's announcement dated 28 December 2001, effective from 11 January 2002)

### **2. Appointment of financial institutions as primary dealers for outright bond transactions**

The BOT appointed 10 financial institutions as primary dealers to act as counter-parties of the BOT in outright bond transactions. These primary dealers were required to actively participate in the primary market auction for government securities and to provide bid-ask yield quotation (two-way quotation) for benchmark bonds in the secondary market, starting 2 May 2002 onwards.

Outright primary dealers were also required to maintain certain proportion of successful auction of government securities in the primary market. Furthermore, they must act as agents in the submission of non-competitive bids and as guarantors for bidders in accordance with the guidelines of the Ministry of Finance. In return, primary dealers benefited from their intermediary roles and were allowed to take part in providing consultation to the Ministry of Finance in the planning of government securities issuance.

(BOT News No. 16/2002 dated 29 April 2002, effective from 2 May 2002, and BOT News No. 23/2002 dated 22 July 2002)

### **3. Appointment of financial institutions as primary dealers for bilateral repurchase transactions**

The BOT appointed nine financial institutions as primary dealers for bilateral repurchase transactions, starting 1 October 2002 onwards.

(BOT News No. 36/2002 dated 4 October 2002)

### **4. BOT regulations on bond transactions with a provision to repurchase or resell**

The BOT issued a notification cancelling the Repurchase Market Regulations B.E. 2522 and putting in place the Regulations on Bond Transactions with a

Provision to Repurchase or Resell B.E. 2545. Major changes brought about by the new regulations were as follows:

4.1 Valuation of pledged collaterals in the repurchase market was to be based on market prices as released by the Thai Bond Dealing Centre (TBDC);

4.2 Haircut rate was to be changed from 5 percent of treasury bills' face value to a rate based on the type of securities and the term of the transaction;

4.3 The calculation of bond value in case there was no repurchase was to be changed. In addition, the calculation of interest and penalty rates for a market participant failing to provide sufficient funds on the day of the repurchase was to be changed; and

4.4 The minimum value of transactions was to be increased from B1 million to B10 million. Additionally, fee calculations as well as bid-ask yield calculations were to be changed.

(Announcement dated 13 June 2002, effective from 2 July 2002)

#### **5. Modification of the regulations on financial institutions' net foreign exchange position**

The BOT modified regulations on financial institutions' net foreign exchange position as follows:

5.1 End-of-day net foreign exchange position in any individual foreign currency must not exceed 15 percent of its capital funds, or US\$5 million, whichever was higher; and

5.2 International standard on the aggregate foreign exchange position calculation was to be adopted. End-of-day net open position of all foreign currencies combined must not exceed 20 percent of capital funds, or US\$10 million, whichever was higher. In this regard, Thai commercial banks were required to consolidate the net open position of their overseas branches.

(Circular dated 3 June 2002, effective from 21 June 2002)

### **C. Resolution of Financial Institutions Problems**

#### **1. Merger of Bangkok Metropolitan Bank PCL and Siam City Bank PCL**

The Minister of Finance approved the merger of Bangkok Metropolitan Bank (BMB) with Siam City Bank (SCIB), effective on 1 April 2002. SCIB was assigned to be the core institution in this consolidation process.

(BOT News No. 12/2002 dated 29 March 2002)

#### **2. Taking over the control of Thanapat Credit Foncier Co., Ltd.**

The Minister of Finance authorized the BOT to take over the control of Thanapat Credit Foncier Co., Ltd. on 23 December 2002, on the ground that the

company's financial conditions had deteriorated considerably and could potentially undermine public interest. At the same time, the company failed to follow the BOT's order to strengthen its financial position and raise capital funds. Subsequently, the authority assigned a committee to take over the control of the company where normal business continued. Meanwhile, depositors and creditors were all protected according to the Cabinet Resolution of 5 August 1997 and the regulations issued by the Financial Institutions Development Fund (FIDF).

(BOT News No. 47/2002 dated 23 December 2002)

### **3. Rules on debt restructuring by financial institutions**

The BOT issued a circular concerning the revision of rules on debt restructuring by financial institutions in order to keep in line with the Accounting Standard No. 34 Re: Accounting Procedures for Troubled Debt Restructuring. The essence of this revision included amendments in the accounting procedures concerning debt restructuring, computation of loss in debt restructuring, definition of business having a vested interest in financial institutions, and rules on recognition of income after debt restructuring.

The option of using the cost of capital as a discount rate for the calculation of value expected to be recovered was to be applicable only to debtors who had been under the debt restructuring procedures since 1 October 2002.

(Circular dated 26 December 2002, effective from 1 January 2002)

### **4. Extension of foreclosed real estate holding period**

The BOT issued two circulars to financial institutions (excluding BIBF), each to extend the foreclosed real estate holding period by one year. According to the first circular, the holding period was to be extended from 1 January 1997-31 December 2001 to 1 January 1997-31 December 2002, while the second circular extended the period further until 31 December 2003 on the condition that financial institutions (excluding BIBF) must sell such properties within 10 years of the date of receiving transfer.

(Circulars dated 22 May 2002 and 25 December 2002)

### **5. Amendment of the regulations pertaining to the purchase or holding of shares of a limited company in an amount exceeding the rate prescribed by law**

The BOT amended the regulations pertaining to the purchase or holding of shares of a limited company in an amount exceeding the legal limit, especially where such shares were acquired through a debt restructuring process under the guidelines of the BOT. The permission period was extended from ending on 31 December 2002 to 31 December 2003. Financial institutions must nevertheless reduce such holding of shares to meet the legal limit (not exceeding 10 percent of the total number of distributed shares of the said company and in aggregate value

not exceeding 20 percent of its capital funds) as soon as possible, but no later than the period of time specified as follows:

5.1 Shares derived before 1 January 2003 must be reduced to the legal limit by 31 December 2005; and

5.2 Shares derived between 1 January 2003 and 31 December 2003 must be reduced to the legal limit by 31 December 2006.

(Circular dated 25 December 2002)

#### **6. Permission for finance companies to undertake hire-purchase and leasing business as a result of debt restructuring (no. 3)**

Finance companies and finance and securities companies were permitted to undertake hire-purchase and leasing business for assets which were transferred through debt restructuring agreements. This circular extended the permission period for one extra year, from ending on 31 December 2001 to 31 December 2002, in line with the Cabinet's approval of the extension period for tax and duty privileges as a result of debt restructuring.

(Circular dated 22 January 2002 and the Ministry of Finance's announcement dated 16 January 2002, effective from 1 January 2002)

#### **7. Permission for finance companies to purchase and to receive loan transfers**

The BOT circulated the Ministry of Finance's announcement permitting finance companies to purchase or receive loan transfers from asset management corporations (AMC) and the Thai Asset Management Corporation (TAMC).

(Ministry of Finance's announcement dated 2 September 2002, effective from 7 September 2002)

#### **8. Permission for commercial banks to undertaken hire-purchase and leasing business as a result of debt restructuring**

Commercial banks were permitted to undertake hire-purchase and leasing business for assets which were transferred through debt restructuring agreements. This circular extended the permission period for one extra year, from ending on 31 December 2002 to 31 December 2003, in line with the Cabinet's approval of the extension period for tax and duty privileges as a result of debt restructuring under BOT guidelines.

(Circular dated 27 December 2002, effective from 1 January 2003)

### **D. Credit Measures**

#### **1. Credit targets for small and medium enterprises (SMEs) in 2002**

The BOT notified commercial banks to set credit targets for SMEs in 2002

and to submit them to the BOT by 30 April 2002. Commercial banks were also required to report semi-annually their actual credits extended relative to the targets.  
(Circular dated 20 March 2002)

## **2. Regulations on credit card services**

The BOT relaxed the requirements on credit card services by cancelling the restrictions on minimum income, credit limit, and supplementary card issuance, allowing each commercial bank to set its own requirements and restrictions, provided that the BOT guidelines on risk management were followed. Furthermore, the minimum monthly payment was reduced from 10 percent to 5 percent of the outstanding credit amount, and the minimum age requirement for credit card holders was lowered from 22 to 20 years.

(Circular dated 25 April 2002)

## **3. Loans for security purchases and loans with securities as collateral**

The BOT amended the regulations on loans for security purchases and loans with securities as collateral. The changes allowed financial institutions to lend funds to public companies to finance their stock repurchase from shareholders (treasury stocks), provided that the regulations were in accordance with the regulations set by the Ministry of Commerce and the Stock Exchange of Thailand and that the transactions would not impair the financial position of these public companies.

(Circular dated 17 May 2002)

## **4. Prescription of rules, procedures, and conditions for commercial banks to undertake credit card business**

4.1 In this regard, "credit cards" excluded those cards for which payments of goods, services, or any fees were made in advance. Commercial banks were allowed to issue credit cards to cardholders or consumers with income from various sources in the aggregate amount of not less than B15,000 per month, or with an account deposit at a commercial bank which was considered sufficient to indicate his/her financial ability to make credit card payments. Commercial banks were to set rules on debt repayments under which the cardholders or consumers must pay not less than 5 percent of their outstanding balances per instalment.

Non-financial institution card issuers must seek permission from the Ministry of Finance by submitting a request form at the BOT within 60 days of 12 November 2002.

4.2 Interest and fees charged by commercial banks under the credit card business could include the following:

4.2.1 Interest, penalty, fees, and other service charges on unpaid debts must not exceed 18 percent per annum in total, excluding operation fees or service

charges as stipulated by the BOT (such as annual fees, payment fees, and new card issuance fees);

4.2.2 Fees and charges collected by commercial banks must not exceed 3 percent of the amount of cash withdrawn through a credit card;

4.2.3 Commercial banks were allowed to charge debt collection fee in an amount actually paid or suitable for each case.

(Three circulars and notifications, dated 12 November 2002, effective from 13 January 2002 and 12 November 2002)

## **5. Regulations on the ratio of a commercial bank's credits and obligations to its capital funds**

The BOT amended the regulations on the ratio of a commercial bank's credits and obligations to its capital funds, as follows:

5.1 The term "Tier-1 Capital" was amended to include the capital funds of foreign banks' branches licensed to undertake commercial banking business in Thailand;

5.2 Items excluded from the calculation of single lending limit were expanded to cover investment or loans in the form of a purchase of financial instruments issued by the Ministry of Finance, the Thai Asset Management Corporation (TAMC), and state agencies or state enterprises established under specific laws; credit facilities or obligations with such instruments as collateral; and overnight loans to other commercial banks.

(Circular dated 17 January 2002 and announcement dated 8 January 2002, effective from 12 January 2002)

## **E. Supervision and Development of Financial Institutions**

### **1. Regulations and guidelines for an early redemption of hybrid debt capital instruments or long-term subordinated debt instruments**

The BOT amended the regulations on an early redemption of hybrid debt capital instruments or long-term subordinated debt instruments. In essence, financial institutions must obtain prior approval from the BOT for an early redemption of such debt instruments included in tier-2 capital. In the case of hybrid debt capital instruments, an early redemption was allowed after 5 years of issuance, provided that such redemption would not lead to a reduction in the capital to risk assets ratio below 9 percent during the subsequent 3 years (under the assumption of no recapitalisation).

For an early redemption of long-term subordinated debt securities not included in tier-2 capital, financial institutions could apply their own discretionary judgment provided that the BOT would be informed within 7 days after the date of redemption.

(Circular dated 7 March 2002)

## **2. Guidelines, procedures, and conditions on the undertaking of BIBF business**

The BOT amended the guidelines on the undertaking of BIBF business by reducing its annual fee from B500,000 to B10,000 and extending the period allowed to undertake hire-purchase and leasing business as a result of debt restructuring for 1 year from ending at 31 December 2001 to 31 December 2002.

(Circular dated 3 January 2002 and announcement dated 28 December 2001, effective from 1 January 2002)

## **3. Stipulation on the maintenance of capital funds**

The BOT issued a notification concerning the stipulation on capital funds of financial institutions by assigning the risk weight of 0 to the followings: (1) obligations arising from a sale or purchase of instruments under private repo and securities borrowing and lending (SBL); and (2) credits with written instruments of deposits issued by a financial institution or with cash held as collateral in the amount not exceeding the value of the instruments or the cash placed. In addition, contingent liabilities under a private repo or SBL agreement were required to have the credit conversion factor of 1.0.

Furthermore, the BOT assigned the risk weight of 0.2 to export credits of all types guaranteed by the Export-Import Bank of Thailand (EXIM) and the risk weight of 0 to promissory notes which a financial institution received from a juristic person with FIDF as the sole shareholder.

(Announcement dated 3 July 2002, effective from 8 July 2002)

## **4. Notification regarding credits to or investment in business with a beneficial interest and credits to shareholders of financial institutions**

The BOT issued a notification regarding credits to or investment in business with a beneficial interest and credits to shareholders of financial institutions. The notification included the following salient points:

4.1 Amendment of the definition of "granting excessive credit or making excessive investment" to mean

4.1.1 Granting credit to or investment in, one of which or together, a business in which a financial institution, any of its directors, or any of its senior management has a beneficial interest, or granting credit to its shareholders or senior management above 5 percent of tier-1 capital funds or above 50 percent of the shareholder's equity in a limited company.

4.1.2 Granting credit (in one form or many forms together, excluding investment) to a business or person as specified in 4.1.1 above 25 percent of that limited company or person's total liabilities.

Moreover, granting credit by means of purchasing, discounting or rediscounting



bills was to be counted as granting credit to both the seller of such bills and any person liable under the Law on Bills.

4.2 Exemption from compliance with the above guidelines was made for credits granted to or investment in government agencies.

4.3 Credits granted as working capital for an import/export business were allowed to be extended at the same amount for another 3 years starting from 3 November 2001, after which they must be reduced to the prescribed rates.

(Circular dated 2 August 2002 and announcement dated 24 July 2002, effective from 31 July 2002)

#### **5. Prescription on the maintenance of liquid assets**

The BOT permitted financial institutions to include debt instruments issued by government agencies or state enterprises established under specific laws in the maintenance of liquid assets. Moreover, the BOT expanded the list of government agencies or state enterprises approved by the BOT to include the AMC.

(Announcement dated 11 September 2002, effective from 18 September 2002)

#### **6. Guidelines on the selection of financial institution auditors**

In order to meet the qualifications stipulated by the BOT, an auditor must not currently be suspended or have had his/her license revoked. Furthermore, an auditor must not have been the auditor of the same financial institution for more than 5 years. Commercial banks were also required to ensure that the auditor observes the following requirements: (1) submission of the audit programme; (2) notification of failure to observe relevant laws and regulations; (3) preparation of special reports; and (4) inspection in areas which the BOT had commented on.

(Circular dated 26 November 2002, effective from the 2002 accounting period)

#### **7. Accounting procedures regarding investment**

The BOT required financial institutions to record investment in debt and equity instruments in accordance with the criteria stated in the Accounting Standard No. 40 and its subsequent amendments thereof. In addition, the term “debt instruments” was to refer to agreements showing direct and indirect obligations of instrument issuers to pay in cash or by other assets to instrument holders in accordance with the amount and conditions specified, either explicitly or implicitly. The BOT also expanded the list of debt instruments to include bills of exchange issued by commercial banks for lending between financial institutions and derivative instruments in a form related to debt instruments, namely credit linked notes. At the same time, the term “equity instrument” was to refer to an agreement ensuring the holder a residual ownership of the business. In this regard, equity instruments were to include ordinary shares, preferred shares, derivative instruments related to equity instruments, namely warrants showing the right to purchase ordinary shares,

and other types of equity instruments to be subsequently announced by the BOT.  
(Circular dated 13 December 2002, effective for the accounting periods ending on or after 31 December 2002)

#### **8. Guidelines on the structure of the board of directors of a commercial bank in the light of good governance**

The BOT issued additional guidelines on the structure of the board of directors of a commercial bank to supplement the manual already published. To ensure that a board of directors would be able to monitor the operations of a commercial bank in compliance with the laws and regulations issued by the BOT, these additional guidelines emphasized the composition of the committee and other sub-committees as well as their qualifications and responsibilities.

In this light, commercial banks were required to set up two committees, namely an internal audit committee and a risk management committee. In addition, commercial banks were also encouraged to set up a selection committee and a compensation determination committee.

(Circular dated 3 December 2002)

#### **9. Extension of business areas of financial institutions**

The BOT extended the business areas of financial institutions as follows:

9.1 Permission for finance companies and credit foncier companies to undertake back office services (effective from 3 January 2002)

9.2 Permission for finance companies to appoint agents to receive time deposits with passbooks and to receive credit payments (effective from 10 October 2002)

9.3 Permission for commercial banks to

9.3.1 Undertake the credit linked notes business (effective from 12 June 2002)

9.3.2 Appoint other commercial banks or non-bank companies as agents to receive deposits, credit payments, and credit card payments (effective from 21 August 2002)

9.3.3 Operate the investment advisory business (effective from 3 September 2002)

9.3.4 Operate businesses related to the securities business (effective 11 September 2002)

9.3.5 Undertake back office services (effective from 16 October 2002);  
and

9.3.6 Operate the business of contacting or giving advice to customers on securities company services (effective from 29 November 2002).

## Fiscal Measures

Measures	Source	Date of Announcement	Effective Dates	Link
<b>A. Tax Measures</b>	Cabinet Synopsis			<a href="http://www.thaigov.go.th/">http://www.thaigov.go.th/</a> <b>Select</b> - Cabinet Synopsis - Archive - Date
1. Allocation of value added tax (VAT) to local administrative authorities		15 January 2002	–	
2. Measures to promote tourism in Thailand		15 January 2002 22 January 2002	– –	
3. Improvements in regulations regarding deductibility of life insurance fees		20 August 2002	1 January 2002	
4. Extension of a reduction in the VAT rate		27 August 2002	1 October 2002 - 30 September 2003	
5. Tax measures to support the recovery of the real estate sector and to increase the earnings of low-income groups		3 December 2002		
5.1 Tax measures for debt restructuring (extension of fee reduction to 0.01 percent for property registration under the Property and Condominium Law)			- extended from 31 December 2002 for one more year	
5.2 Tax measures for corporate reorganization (extension of fee reduction to 0.01 percent for property registration under the Property Law)			- extended from 31 December 2002 for one more year	
5.3 Tax measures to boost real estate transactions (extension of the reduction in the special business tax imposed on real estate sale from 3.3 percent to 0.11 percent, and extension of fee reduction to 0.01 percent for property registration under the Property and Condominium Law)			- extended from 31 December 2002 for one more year	

Measures	Source	Date of Announcement	Effective Dates	Link
5.4 Tax measures to promote the sale of current residence for the purchase of a new residence			From 2003 onwards	
5.5 Tax measure to increase the earnings of low-income to medium-income groups (exemption from personal income tax for the first B80,000 of taxable income, up from B50,000)			From 2003 onwards	
<b>B. Expenditure Measures</b>	Cabinet Synopsis			<a href="http://www.thaigov.go.th/">http://www.thaigov.go.th/</a> <b>Select</b> - Cabinet Synopsis - Archive - Date
1. Treasury management and budget disbursement system		15 January 2002	–	
2. Draft Act on the Budgetary Procedure B.E.....		26 March 2002	–	
3. Draft Budget Act for FY 2003		28 May 2002	–	
4. Measures to speed up and monitor budget expenditure in FY 2003		15 October 2002	–	
5. Measures to assist farmers affected by natural disasters in 2002		15 October 2002	–	
6. Preparation for budgetary planning and expenditure calendar setting for FY 2004		17 December 2002	–	
<b>C. Public Borrowing and Debt Management Measures</b>	Cabinet Synopsis			<a href="http://www.thaigov.go.th/">http://www.thaigov.go.th/</a> <b>Select</b> - Cabinet Synopsis - Archive - Date
1. Demand for baht borrowings to supplement state enterprises' foreign loans in FY 2002		8 January 2002	–	
2. External borrowing plan for FY 2002		12 March 2002	–	
3. - Compensation for the losses incurred by FIDF		21 June 2002	–	
- Issuance of government saving bonds to specific groups of investors to compensate for the loss incurred by FIDF		2 July 2002	–	
4. Credit line expansion for borrowing through Euro Commercial Papers (ECP programme)		6 August 2002	–	

Measures	Source	Date of Announcement	Effective Dates	Link
5. Refinancing of state enterprises' debt in FY 2003		25 September 2002	–	
6. Borrowing to finance the budget deficit in FY 2003		29 October 2002	–	
7. Draft Public Debt Management Act B.E..... (The draft was reviewed by the Office of the Council of State and was subsequently passed on to the Government Whip prior to being presented to The House of Representatives for further consideration)		12 November 2002	–	
<b>D. State Enterprise Measures</b>	Cabinet Synopsis			<a href="http://www.thaigov.go.th/">http://www.thaigov.go.th/</a> <b>Select</b> - Cabinet Synopsis - Archive - Date
1. Corporatization of state enterprises - Airports Authority of Thailand - Telephone Organization of Thailand		11 June 2002 23 July 2002	– 31 July 2002	
2. - Increase in salaries and wages of state enterprise employees - Adjustment of the daily minimum wage for state enterprise employees (from B157 to B165)		2 July 2002 30 July 2002	– 1 January 2002	
3. Budget planning for FY 2003		1 October 2002	–	
4. Borrowing to finance the purchase of Boeing airplanes by Thai International Airways Public Company Limited		26 November 2002	–	
5. Corporate reform of Thai Maritime Navigation Co.Ltd. (TMN)		24 December 2002	–	

## Others Measures

Measures	Source	Date of Announcement	Effective Dates	Link
<b>A. Agricultural Measures</b>	Cabinet Synopsis			<a href="http://www.thaigov.go.th/">http://www.thaigov.go.th/</a> <b>Select</b> - Cabinet Synopsis - Archive - Date
1. Solution to the problem of black tiger prawn cultivation in fresh water areas*		8 January 2002	–	
2. Loan project for the restructuring of the agricultural sector		5 February 2002	–	
3. Policies and measures for the import of animal feeds in 2002		19 February 2002 23 April 2002	1 January – 31 December 2002	
4. Establishment of the International Tripartite Rubber Organization (ITRO) by Thailand, Indonesia and Malaysia		5 March 2002	–	
5. Solution to the problem of first-crop rice prices		12 March 2002	–	
6. Establishment of the Agricultural Commodity Exchange of Thailand		12 March 2002	–	
7. Measures to resolve the problem of antibiotic residue in shrimp and poultry*		26 March 2002 14 May 2002	–	
8. Measures to stimulate the use of natural rubber in transportation by the Ministry of Transport*		26 March 2002	–	
9. Application for protection of the "Patumthani 1" rice variety under the US Plant Variety Protection Act		9 April 2002	–	
10. Determination of preliminary sugarcane prices and the apportionment of sugar proceeds between planters and millers in the crop year 2001/2002*		21 May 2002	–	
11. Implementation of the tripartite rubber cooperation among Thailand, Indonesia and Malaysia		4 June 2002	1 June 2002	
12. Approval of the project to subsidise diesel oil prices for coastal fishermen*	16 July 2002	1 July 2002 – 1 January 2003		

Note: \* Thai version only

Measures	Source	Date of Announcement	Effective Dates	Link
13. Sale of 15% broken rice by 500,000 tonnes to Indonesia		30 July 2002	–	
14. The Thai rubber reform		17 September 2002	–	
15. Project to improve natural rubber varieties*		25 September 2002	–	
16. Cooperation on rice trade		15 October 2002	–	
17. Measures to stabilize natural rubber prices		12 November 2002	–	
<b>B. International Trade Measures</b>	Cabinet Synopsis			<a href="http://www.thaigov.go.th/">http://www.thaigov.go.th/</a>
1. Import measures of silk threads in 2002 under the obligations of the World Trade Organization		15 January 2002	1 January 2002	<b>Select</b> - Cabinet Synopsis - Archive - Date
2. National embargo on import of raw diamonds from Sierra Leone in compliance with the United Nation's resolution		22 January 2002	5 January 2002 (11 months)	
3. Government-to-government sale of rice with Democratic People's Republic of Korea		29 January 2002	–	
4. Trade cooperation between the Kingdom of Thailand and the Republic of Iraq		12 February 2002	–	
5. Allowance of soybean import in 2002		19 February 2002	1 January – 31 December 2002	
6. Import of animal feeds in 2002		19 February 2002	1 January – 31 December 2002	
7. Liberalization of the market for non-fat milk powder, raw milk and ready-to-drink milk under the obligations of the World Trade Organization in 2002		19 March 2002	1 January – 31 December 2002	
8. Enhancement of national competitiveness		23 April 2002	23 April 2002	
9. Prohibition of the import of drugs, pharmaceutical products and chemical salt		23 April 2002	25 May 2002	
10. Export of rubber wood		30 April 2002	14 June 2002	

Note: \* Thai version only

Measures	Source	Date of Announcement	Effective Dates	Link
11. Project to resolve the problem of antibiotic residue in exported shrimp and poultry*		7 May 2002	7 May 2002	
12. Establishment of the one-stop service centre for exports		7 May 2002	5 June 2002	
13. Export and import of caffeine		14 May 2002	29 June 2002	
14. Bilateral swap agreement between Thailand and Republic of Korea		11 June 2002	–	
15. Liberalization of automobile export to Taiwan after joining the World Trade Organization		9 July 2002	–	
16. Liberalization of the import market for garlic and onion seeds in 2002*		16 July 2002	1 January – 31 December 2002	
17. Sale of rice to Indonesia under account trade		30 July 2002	September 2002 – July 2003	
18. Technical cooperation on the inspection of chemical residue in food for export		13 August 2002	–	
19. Account trade between Thailand and Bangladesh		13 August 2002	9 July 2002	
20. Establishment of the Office of Import Administration		20 August 2002	–	
21. Draft regulation of the Office of the Prime Minister on developing the country's competitiveness		20 August 2002	–	
22. Liberalization of the import market for potato in 2002		27 August 2002	1 January – 31 December 2002	
23. Bilateral Payments Arrangements (BPA) between Thailand and Malaysia		10 September 2002	–	
24. Establishment of the committee on import administration		17 September 2002	–	
25. Export and import measures of caffeine		1 and 22 October 2002	16 November 2002	
26. Relaxation of regulations concerning the export and import of communication radios		8 October 2002	–	

Note: \* Thai version only



Measures	Source	Date of Announcement	Effective Dates	Link
27. Use of electron radiation on Thai fruits exported to the US		19 November 2002	–	
28. Solution to the problem of shrimp and poultry export to the European Union (EU) and the US		26 November 2002	–	
29. Import of teak wood		3 December 2002	–	
30. Liberalization of the soybean market under the obligations of the World Trade Organization in 2003		24 December 2002	1 January – 31 December 2003	
<b>C. Industrial Measures</b>	Cabinet Synopsis			<a href="http://www.thaigov.go.th/">http://www.thaigov.go.th/</a> <b>Select</b> - Cabinet Synopsis - Archive - Date
1. Comprehensive solution for the milk industry		25 February 2002	–	
2. Draft ministerial regulations on the size of employment and the value of permanent assets of small and medium enterprises (SMEs)		5 March 2002	–	
3. Draft announcement of the Ministry of Finance regarding tax reduction for raw materials such as marble, granite and sandstone		5 March 2002	–	
4. Adjustment to the preparation plan for the readiness of Thailand's textile industry		12 March 2002	–	
5. Draft announcement regarding the export of automobiles to Taiwan		9 July 2002	–	
6. Reduction of license fees for the production and sale of rice liquor and fruit wine by small plants*		16 July 2002	–	
7. Exemption of customs duties to assist manufacturers of televisions and fiber-optic cables		20 August 2002	–	
8. Promotion of national competitiveness		20 August 2002	–	

Note: \* Thai version only

Measures	Source	Date of Announcement	Effective Dates	Link
9. Cancellation of excise tax exemption on fuel oil and other products used as raw materials in petroleum refinery plants		5 November 2002	–	<a href="http://www.eppo.go.th">http://www.eppo.go.th</a>
10. Solution to the problems of excess raw milk supply and the free school-milk project		26 November 2002	–	
<b>D. Price Measures</b>				
1. Electricity price adjustment (Ft)	Resolution by the sub-committee on the Automatic Adjustment Mechanism	12 February 2002	February – May 2002	
2. Cooking gas price adjustment	Resolution by the National Energy Policy Council	28 February 2002	1 March 2002	
3. Electricity price adjustment (Ft)	Resolution by the sub-committee on the Automatic Adjustment Mechanism	31 May 2002	June – September 2002	
4. Electricity price adjustment (Ft)	Resolution by the sub-committee on the Automatic Adjustment Mechanism	27 September 2002	October 2002 – January 2003	
5. Cooking gas price adjustment	Resolution by the National Energy Policy Council	29 October 2002	30 October 2002	

Measures	Source	Date of Announcement	Effective Dates	Link
<b>E. Labour Measures</b>	Cabinet Synopsis			<a href="http://www.thaigov.go.th/">http://www.thaigov.go.th/</a>
1. Draft royal decree to determine the duration of benefit period when an insured person's contract is terminated*		8 January 2002	–	<b>Select</b> - Cabinet Synopsis - Archive - Date
2. Minimum wage adjustment		15 January 2002	–	
3. Supplementary measures to reduce workers' cost of living*		29 January 2002	–	
4. Determination of the number of legal aliens in Thailand in 2002		30 July 2002	–	
5. Minimum wage adjustment for employees of state enterprises*		30 July 2002	–	
6. Procedures to handle illegal foreign labourers in 2002 - 2003		27 August 2002, 3 September 2002 and 24 September 2002	–	
7. Guidelines for the registration of illegal alien fishermen*		25 September 2002	–	
8. Determination of the contribution rate to the Social Security Fund		17 December 2002	1 January 2003	
9. Minimum wage adjustment		24 December 2002	1 January 2003	
10. Increase in child benefits	24 December 2002	1 January 2003		
<b>F. Service Measures</b>	Cabinet Synopsis			<a href="http://www.thaigov.go.th/">http://www.thaigov.go.th/</a>
1. Promotion of tourism and foreign film production in Thailand		15 January 2002	1 February 2002	<b>Select</b> - Cabinet Synopsis - Archive - Date
2. Solution to the problem of traditional retail/wholesale businesses*		7 May 2002 25 June 2002	–	
3. Solution to the problem of water shortage on major tourism islands*		6 August 2002	2003 - 2004	
4. Review of immigration procedures for foreign tourists	20 August 2002	–		

Note: \* Thai version only

Measures	Source	Date of Announcement	Effective Dates	Link
5. Guidelines for retail business management*		20 August 2002	–	
6. Visa exemption for APEC members joining the APEC Business Travel Card*		20 August 2002	–	
7. Memorandum of Understanding (MOU) between Kingdom of Thailand and Lao People's Democratic Republic on labour employment cooperation		24 August 2002	–	
8. Agreement between Kingdom of Thailand and Russian Federation on the abolition of visa requirements for holders of diplomatic and official passports		15 October 2002	–	
9. Inclusion of Russian Federation on the Visa on Arrival List		12 November 2002	–	
10. Tax measures to support the recovery of the property sector and low income households		3 December 2002	–	
<b>G. Capital Market Measures</b>	SEC News			<a href="http://www.sec.or.th">http://www.sec.or.th</a>
1. Changes to the structure of the Securities and Exchange Commission (SEC)		6 January 2002	–	
2. Amendment to the criteria for provident fund management		11 January 2002	–	
3. Expansion of scope of business conducted by securities companies		11 February 2002	–	
4. Accounting standards for securities companies and funds		11 February 2002	–	
5. Criteria on granting mutual fund management licenses		11 February 2002	–	
6. Action plan on good corporate governance in 2002 aiming to enhance shareholders'		14 March 2002	–	

Note: \* Thai version only

Measures	Source	Date of Announcement	Effective Dates	Link
rights, promote transparency and improve the quality of market intermediaries				
7. Changes to the structure of the SET board		17 April 2002	–	
8. Investment guidelines for provident funds with policy to invest in the money market		30 July 2002	1 August 2002	
9. Revision of the criteria on merging mutual funds		12 July 2002	–	
10. Guidelines and method of investment in securities and assets of financial institutions which give members the right to purchase residential properties through mortgage loans*		18 July 2002	1 August 2002	
11. Expansion of scope of business conducted by securities companies		11 October 2002	–	
12. Permission of securities companies to act as guarantors of guaranteed funds		11 October 2002	–	
13. Revision of criteria on the appointment of securities sales agents		11 November 2002	–	
14. Rules on the issuance and offering of structured notes		16 December 2002	–	
15. Announcement by the SEC to increase investors' participation in 2003, after having been successful in promoting market confidence through good corporate governance in 2002		24 December 2002	–	
16. Special rules regarding the permission to issue and sell securities	SEC notice	2 December 2002	16 December 2002	

Note: \* Thai version only

**THE BANK OF THAILAND'S ACTIVITIES**

## The Bank of Thailand's activities

### Reserve Management Performance and Note Printing

#### A. Reserve Management and Operations

In managing the country's international reserves during the year 2002, the Bank of Thailand (BOT) had exercised its duty based on the principle of soundness and safety of the invested assets, and liquidity management that support and consistent 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 by the Monetary Policy Committee and closely monitored monthly by the Investment Sub-Committee.

In order to maximize returns on investment within the framework of acceptable risk and liquidity, the Reserve Management Division had closely monitored economic and financial market developments in order to assist in the analyses of the foreign exchange, 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 of the important portfolios under the management of the Division were Liquidity portfolio, Investment portfolios and other Liabilities portfolios. During the year, there were repayments of the principals to the IMF and other central banks under the 1997 IMF package for the amount of US\$3.9 billion or 29 percent of the total borrowed funds.

#### B. Banknote Issue and Management

At end-December 2002, total volume and value of issued notes were 2,527.8 million notes and B569,443.7 million, respectively, a slight increase of 6.7 and 15.0 percent, respectively, from last year. The volume breakdown of the issued notes is shown in Table 1.

On 7 September 2002, the BOT issued the commemorative series of B100 banknote to celebrate the centenary of Thai banknote issuance and disbursed to the public for exchange on 9 September 2002.

Table 1: Banknote Issue in 2002

Denominations	Number of notes
500000 baht	235
1000 baht	376.4 million
500 baht	220.5 million
100 baht	574.5 million
50 baht	130.6 million
20 baht	732.4 million
10 baht	336.0 million
5 baht	24.5 million
1 baht	106.6 million
50 satang	18.9 million
BOT Note 60 baht	7.3 million

In 2002, counterfeits that had been detected all over the country amounted to 14,192 notes, an increase of 60.8 percent from the previous year. The three-most-found forgeries namely B500, B1000, and B100 (5,775, 4,559 and 3,743 notes, respectively) accounted for 99.2 percent of the total detected counterfeits.

### C. Currency Reserve

As of end-2002, value of total assets of Currency Reserve stood at B569,443.7 million, equivalent to value of issued notes in circulation, up by 15.1 percent from the previous year-end. The assets of the Currency Reserve are shown in Table 2

	<b>Amount</b> (Million baht)	<b>Share</b> (Percent)
1. Gold	28,422.6	5.0
2. Foreign Currencies	162,129.7	28.5
3. Foreign Securities	378,891.4	66.5
4. Thai Government Securities	0.0	0.0
<b>Total</b>	<b>569,443.7</b>	<b>100.0</b>

### D. Note Printing Works

#### Regular Jobs

##### 1. Production and Delivery

Note Printing Works (NPT) produced a total of 1,945 million notes, and delivered 1,796 million notes to Note Issue Group and regional offices. The total sales were B2,007.87 million.

##### 2. Other Security Printings

###### 2.1 Revenue Stamp

NPT produced a total of 31.2 million revenue stamps of 1 baht and 5 baht, and delivered 31.2 million stamps to the Revenue Department of Thailand. The total sales were B4,056,000.

###### 2.2 Cheque for Northeastern Region Office

Cheques produced and delivered to the Northeastern Region Office in 2002 amounted to 3,050 books. The total sales were B152,500.



## **2.3 Folder for 100-baht Commemorative Banknote: Centenary of Thai Banknote**

NPT produced 16,000 folders. The total sales were B192,000.

### **3. Ink Production**

NPT produced a total of 243.27 tons of ink for internal use.

### **4. Research and Development**

NPT conducted 19 projects, 7 of which were completed as follows:

1. Improvement to Drying Time of Dry-Offset Ink
2. Improvement to Shrink-Wrap Plastic Quality
3. Reuse of 20-baht Intaglio Ink
4. Invention of IR Detector
5. Crumpling Resistance Testing Device (Pneumatic)
6. 500-baht Printing Ink Development
7. Varnish Making Process Development

### **5. International Standards Attainment**

#### **5.1 ISO 9001**

NPT was awarded ISO 9001: 1994 certification covering the design and production of 20-baht, 100-baht, 500-baht, and 1000-baht banknotes, and is now preparing to attain ISO 9001: 2000.

#### **5.2 ISO 14001**

NPT was awarded ISO 14001 certification covering the production of banknotes and other security documents.

### **Projects**

#### **1. Note Printing Works Re-organization Project**

New organization structure was developed and implemented with the necessary adjustments to related orders, rules, and regulations.

#### **2. Commemorative Stamp: Centenary of Thai Banknote**

NPT produced 2 million commemorative stamps and 200,000 stamp sheets and delivered to the Communications Authority of Thailand according to the agreement.

#### **3. Second Note Printing Works Project**

The project is in progress after NPT entered into a contract with International Project Administration Co. Ltd., Design 103 Co. Ltd. and Casa Co. Ltd.

#### 4. Enterprise Resource Planning Project (ERP Project)

NPT contracted T.N. Information Systems Co. Ltd. (TNIS) to design and implement systems. TNIS managed to complete tasks of Phase I and II. The next step is configuration.

### Banking Business

#### A. Cash Management

##### 1. Cash Pay In and Pay Out

In 2002, the BOT (including head office, Surawongse office, and regional offices) received cash from provincial treasuries, commercial banks, financial institutions, government agencies, and others totalling B1,180,635.8 million, an increase of B30,667 million or 2.67 percent compared with B1,149,968.8 million in the previous year. Cash pay out, on the other hand, totalled B1,249,562.6 million, an increase of B63,710.6 million or 5.37 percent compared with B1,185,852 million in the previous year. In sum, net cash pay out of B68,926.8 million was recorded.

##### 2. Cash Position

In 2002, the BOT transferred assets totalling B141,826.7 million to the currency reserve account in order to increase note in circulation, and withdrew assets totalling B67,384.3 million from the currency reserve account in order to reduce note in circulation. Overall, transferred assets was higher than withdrawn assets of B74,442.4 million, resulting in an increase of assets of currency reserve from B495,001.3 million in 2001 to B569,443.7 million in 2002.

At the end of December 2002, cash balance deposited with the Note Issue Group stood at B10,276 million, comprising

Note deposited with the Note Issue Group	B10,273.6 million
Coins deposited with the Currency Division	B2.4 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 2002 registered a zero balance.

#### B. Centre of Funds Transfer

In 2002, the BOT carried out fund transfers totalling B4,585,502.5 million, consisting of funds transfer from provincial area to Bangkok of B2,556,826.2 million and funds transfer from Bangkok to provincial area of B2,028,676.3 million, resulting in net funds transfer to Bangkok of B528,149.9 million.

Part of this funds transfer includes funds transfer via 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 B1,287,338.8 million. Of this amount, B881,089.7 million was funds transfer to Bangkok and B406,229.1 million was funds transfer to provinces, resulting in net funds transfer to Bangkok of B474,790.6 million.

As for transfer of the BOT deposits at provincial treasuries, funds transfer to Bangkok amounted to B501,325 million whereas funds transfer to provinces totalled B246,925 million, resulting in net funds transfer to Bangkok of B254,400 million.

### **1. Large Value Funds Transfer (BAHTNET)**

As of 31 December 2002, there were 65 institutional members in BAHTNET systems; of which were 13 Thai commercial banks, 18 branches of foreign commercial banks, 18 finance companies / finance & securities companies and securities companies, 7 different BOT divisions, 9 specialized financial institutions / government agencies and other members.

The volume and value of total funds transfer through BAHTNET system in the year 2002 were 802,625 transactions and B67.13 trillion which increased by 6.56 percent and decreased by 2.63 percent from those of the previous year, respectively. The aforementioned total funds transfer can be classified as follows:

- 163,644 transactions or in value of B36.80 trillion for interbank funds transfer
- 601,773 transactions or in value of B28.84 trillion for third party funds transfer
- 37,208 transactions or in value of B1.46 trillion for DVP government securities trading
- 119 transactions with total face value of B0.03 trillion for Deliver Free (DF) and Receive Free (RF) of government securities.

There were 12 commercial banks that transfer funds between their own accounts at the BOT's head office in Bangkok and at the BOT's regional offices through BAHTNET system. The total volume in 2002 was 6,362 transactions with the total value of B1.29 trillion.

### **Efficiency improvement and risk reduction for settlement of the Thai Government Securities**

The BOT is conducting a study to improve efficiency and risk reduction for settlement of the Thai Government Securities. Discussions were made with several organizations both internationally and locally such as Reserve Bank of Australia, World Bank, the Ministry of Finance, the Office of Securities and Exchange

Commission, the Stock Exchange of Thailand, Thailand Securities Depositories co., including several financial institutions. In summary, the BOT is planning to encourage greater use of Delivery versus Payment (DvP), to promote scripless holding, to set a legal netting arrangements and is also considering to transfer the operation of the Thai Government Securities settlement system to the private sector.

## 2. Electronic Retail Funds Transfer (SMART<sup>1</sup> System for Managing Automated Retail Funds Transfer)

The electronic retail funds transfer (SMART) in 2002 totalled 7.4 million transactions, amounted to B274.3 billion, increased from 2001 by 27.4 and 48.7 percent, respectively. This resulted from an increase in popularity of electronic funds transfer services via SMART since it facilitated cash management for the business sector. Foreign banks remained major senders with transactions' volume and value of 75.6 and 81.9 percent of total funds transfer, respectively. Meanwhile, Thai commercial bank transactions increased 1.4 times, compared to the previous year. Moreover, large Thai commercial banks were major receivers that received 82.8 percent of total funds transfer value. The major type of transaction was goods and services payment (55.6 percent of total value), followed by salary payment (35.1 percent of total value).

On 1 April 2002 Bangkok Metropolitan Bank PCL. was merged with Siam City Bank PCL. As a result, at the end of 2002, the total number of member banks decreased from 28 as of the previous year to 27 which comprised of the BOT, 12 Thai commercial banks, 12 foreign commercial banks, and 2 specialized

**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	
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)
2002	224.8	30.7	18.8	49.5	274.3
Δ%	(39.8)	(141.2)	(74.1)	(110.7)	(48.7)

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

<sup>1</sup> "Media Clearing" was a former name of "SMART".

financial institutions which are the Government Savings Bank and Government Housing Bank.

### 3. Interbank Cheque Clearing System

#### 3.1 Interbank Cheque Clearing in Bangkok Metropolitan and its vicinity

In 2002, two banks ended their membership of Electronic Clearing House (ECH), and two banks applied to be member of the ECH. Bangkok Metropolitan Bank ended its membership due to a merger with Siam City Bank on 1 April 2002. The Dai-ichi Kangyo Bank ended its membership due to a merger with Mizuho Corporate Bank, Ltd. that applied to be a member of ECH since then. On 22 April 2002, Thanachart Bank applied to be a member of ECH. Therefore, there were 36 members of ECH in 2002, the same number as in the previous year. However, the member bank branches of ECH totalled 1,932 branches, an increase of 41 branches from 2001.

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

	Volume (items)			Value (million baht)		
	2001	2002	Δ%	2001	2002	Δ%
Cleared cheques	55,186,305	58,139,087	5.4	15,180,890	16,986,866	11.9
Cleared cheques amount per item				0.275	0.292	6.2
Returned cheques	1,386,418 (2.51)	1,395,521 (2.40)	0.7	136,934 (0.90)	140,622 (0.83)	2.7
Returned cheques with insufficient fund for 3 reasons*	829,467 (1.50)	872,892 (1.50)	5.2	66,865 (0.44)	71,868 (0.42)	7.5

**Notes :** \* 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 percentage change from the same period last year.

The total volume and value of out-clearing cheques in 2002 were 58.14 million items and B16,986.87 billion, respectively. Compared to 2001, the out-clearing cheques volume and value increased by 5.4 and 11.9 percent, respectively. The average value of out-clearing cheques per item increased by 6.2 percent from B0.28 million in 2001 to B0.29 million in 2002, as a result of a satisfactory economic expansion propelled by buoyant private spending both in terms of consumption and investment, an expansion in export, government measures

to stimulate economic growth and a downward adjustments in interest rates which remained low rate for the whole year.

Total returned cheques in Bangkok Metropolitan and its vicinity in 2002 were 1.4 million items and valued B140.62 billion. The volume and value of returned cheques increased from 2001 by 0.7 and 2.7 percent, respectively, due to the increase in out-clearing cheques. However, the proportions of returned cheques volume and value to out-clearing cheques slightly decreased from 2.51 and 0.90 percent in 2001 to 2.40 and 0.83 percent in 2002, respectively. This was due to the Thai economic situation, which improved continuously, while commercial banks remained strict in imposing fine measures for returned cheques to maintain the drawers' discipline.

The number of returned cheques for the reasons of; 1. "Insufficient funds"; 2. Refer to drawer"; 3. "No arrangement with the bank" totalled 0.87 million items, valued B71.87 billion, increased from 2001 by 5.2 and 7.5 percent, respectively. The proportion of returned cheques volume to out-clearing cheques in 2002 was 1.50 percent equivalent to that of last year. Meanwhile, the proportion of returned cheques value to out-clearing cheques slightly decreased from 0.44 percent in 2001 to 0.42 percent in 2002.

From the whole year's cheque clearing statistics, it implies the overall interbank cheque clearing in Bangkok Metropolitan and its vicinity in 2002 that the volume and value of cheques cleared and returned increased from previous year in line with the expansion of Thai economy. Even though the volume and value of returned cheques increased from 2001, the proportions of returned cheques volume and value to total cheques decreased slightly. This reflects that Thai economy has improved and the drawers have more discipline in using cheques.

### **3.2 Provincial Cheque Clearing**

In 2002, there were totally 20.5 million interbank cheques cleared with the value of B1,810.5 billion, 6.5 and 12.9 percent increased from the previous year, respectively. These cheques were cleared through 86 clearing houses countrywide which comprised of 70 provincial clearing houses; 21 in the Central region, 16 in the North, 19 in the North-east, and 14 in the South; and 16 district clearing houses; 7 in the Central region, 2 in the North, 4 in the North-east, and 3 in the South. The increase in volume and value of cheques cleared was due to the overall economic expansion led by domestic spending especially from private consumption and investment. In addition, export value in year 2002 recovered from a declining rate in the previous year.

For returned cheques, total volume was 0.62 million items with the value of B41.8 billion, decreased by 5 and 2.8 percent from the previous year, respectively. The proportion of returned cheques' volume and value to total cheques cleared were 3 and 2.3 percent, respectively.

**Table 5 : Value of Cleared and Returned Cheques  
in Provincial Clearing Houses**

(Unit : Billion baht)

Year	Cleared Cheques					Returned Cheques					B/C Cheques
	Central	South	N/E	North	Total	Central	South	N/E	North	Total	
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)
2002	633.3	454.5	391.8	331.0	1,810.5	14.7	9.1	10.2	7.7	41.8	16.2
Δ%	(14.0)	(10.1)	(14.3)	(13.3)	(12.9)	(2.2)	(-9.5)	(-0.6)	(-5.9)	(-2.8)	(43.3)

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

The settlement of cheques cleared operated by the Electronic Clearing House had a total value of B254.2 billion throughout the year, increased by 15.7 percent from the previous year.

Besides, there were 381,868 cheques collected across clearing houses (Bill for Collection - B/C) in 2002 with the value of B16.2 billion, increased by 12.4 and 43.3 percent from 2001, respectively.

## C. Banker to the Government

### 1. Repository of Government and Government Agency Deposit Accounts

At the end of 2002, treasury balance at the BOT was B49,133.6 million, an increase of B37,820.6 million or 334.31 percent compared to the previous year's end.

Balance in government agency and public organization accounts at the BOT, at the end of 2002, stood at B15,825.3 million, up B851 million or 5.68 percent compared to the previous year's end.

### 2. Government and State Enterprise Securities Holding

As of end-2002, the BOT's holding of public sector securities decreased slightly from that of end-2001, mainly from the falling due of T-bills and state enterprise bonds.

In May, the BOT evaluated performances of its primary dealers for bond outright transactions and revised their obligations and privileges. Currently, there are 9 primary dealers for bond outright trading with the BOT.

## **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 of the BOT, at the end of 2002, was B54,288.9 million, an increase of B3,696.4 million or 7.31 percent compared to the previous year's end. Of this amount, deposits at the BOT head office totalled B48,637.4 million, regional offices B2,216.7 million, and provincial representatives B3,434.8 million.

### **2. Repository of Financial Institution Deposit Accounts**

Balance in financial institutions accounts at the BOT head office, at the end of 2002, was B1,084.2 million, an increase of B44.3 million or 4.26 percent compared to the previous year's end.

At the end of 2002, balance in other accounts excluding accounts of the government, government agencies, banks and financial institutions totalled B200,741 million, a decline of B218,422.6 million or 52.11 percent compared to the previous year's end.

### **3. Issuance of Bank of Thailand Bonds (BOT Bonds)**

At end-2002, there were no BOT bonds outstanding in the market as there was no new issuance during the year.

### **4. Repurchase Market Operations**

Repurchase transaction volume in 2002 totalled B13,658 billion, increased by B1,471 billion, or 12 percent from 2001.

The policy rate, the 14-day repurchase rate was reduced twice on 22 January and 19 November 2002, by 0.25 percent each. The rate thus ended the year 2002 at 1.75 percent.

Since 2 July 2002, the BOT changed the calculation of repo transaction fee so that the repo rates better reflect the real cost of funds. The valuation of collateral prices was also modified from using par value to using market price with haircut. This would reflect the real value and risk of the transactions and be in line with international standards.

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

Few bilateral repo transactions to inject liquidity were done in 2002 to assess dealers' ability required as BOT's primary dealers. The conduct of such transactions on a regular basis was slightly delayed as the development of electronic platform is still in progress. However, the operation is expected to resume in mid 2003.



The BOT appointed primary dealers for bilateral repo transactions since 1 October 2002. There were 10 primary dealers for such transaction at the end of 2002.

## **6. End-of-day Liquidity Window**

There was very small amount of lending through the End-of-day liquidity window in 2002. The interest rate charged for such facility was decreased from 3.75 percent at the beginning of 2002 down to 3.25 percent at the end of the year, in line with changes in the policy rate.

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

In 2002, the BOT provided financial assistance to priority economic sectors, i.e., exports, manufacturing, agriculture, and others through financial institutions totalling B75,235.4 million, which was B38,032.7 million or 33.6 percent less than that of the previous year. The total credit outstanding at the end of 2002 stood at B18,830.2 million, down by B16,269.5 million or 46.4 percent from end-2001. The summary is as follows:

### **7.1 Export Sector**

The BOT provided export credit through the Export-Import Bank of Thailand (EXIM Bank). In 2002, total export credit was B17,785.9 million, down by B28,413.2 million or 61.5 percent from 2001. This facility comprised of 2 categories. One was packing credit which the EXIM Bank extended as loans through commercial banks, totalling B17,685.9 million. The other was direct loan, which the EXIM Bank extended to exporters within the limit of B100 million. The total export credit through the EXIM Bank outstanding at the end of 2002 stood at B56.5 million, down by B6,908.6 million or 99.2 percent from 2001. However this export credit term, which started since 1994, ended in 2002.

In addition the BOT extended the term of refinancing rice exports to the Government of Iraq amounting B221.8 million in 2002. At end-2002 outstanding balance was nil.

### **7.2 Industrial Sector**

In 2002, the BOT provided credit to the industrial sector through commercial banks, the Industrial Finance Corporation of Thailand (IFCT), Small and Medium Enterprise Development Bank of Thailand (SME Bank) and the EXIM Bank by purchasing P/N issued by those entrepreneurs. The amount of P/N purchased totalled B49,644.3 million, down by B9,343.2 million or 15.8 percent from 2001.

At the end of 2002, the outstanding loan stood at B17,441.3 million, down by B5,200.6 million or 23 percent from 2001.

**Table 6 : The BOT's Financial Assistance to Priority Economic Sectors**  
(Unit : Million baht)

Priority Economic Sectors	2001		2002		Change	
	Accumulative Value	Outstanding at year-end	Accumulative Value	Outstanding at year-end	(+ increase, - decrease)	
					Accumulative Value	Outstanding at year-end
	(1)	(2)	(3)	(4)	(3) - (1)	(4) - (2)
<b>Exports</b>	<b>47,585.2</b>	<b>7,443.7</b>	<b>18,007.7</b>	<b>56.5</b>	<b>-29,577.5</b>	<b>-7,387.2</b>
Credits through EXIM Bank	46,199.1	6,965.1	17,785.9	56.5	-28,413.2	-6,908.6
Long-term credits to rice exports	1,386.1	478.6	221.8	-	-1,164.3	-478.6
<b>Industries</b>	<b>58,987.5</b>	<b>22,641.9</b>	<b>49,644.3</b>	<b>17,441.3</b>	<b>-9,343.2</b>	<b>-5,200.6</b>
Credits through commercial banks	52,330.2	9,090.3	48,244.3	6,344.6	-4,085.9	-2,745.7
Credits through IFCT	6,600.0	12,511.8	1,150.0	10,465.6	-5,450.0	-2,046.2
Credits through EXIM Bank	57.3	1,039.8	250.0	631.1	192.7	-408.7
<b>Agriculture</b>	<b>6,695.4</b>	<b>1,893.2</b>	<b>7,583.4</b>	<b>1,332.4</b>	<b>888.0</b>	<b>-560.8</b>
Credits through commercial banks	6,695.4	1,893.2	7,583.4	1,332.4	888.0	-560.8
Credits through BAAC	-	-	-	-	-	-
<b>Others</b>	<b>0.0</b>	<b>3,120.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-3,120.9</b>
<b>Total</b>	<b>113,268.1</b>	<b>35,099.7</b>	<b>75,235.4</b>	<b>18,830.2</b>	<b>-38,032.7</b>	<b>-16,269.5</b>

### **7.3 Agricultural and Other Sectors**

In 2002, the BOT provided agricultural credit through commercial bank totalling B7,583.4 million, up by B888 million or 13.3 percent from 2001. Meanwhile credit line extended to the Bank for Agriculture and Agricultural Cooperatives (BAAC) amounted to B3,000 million, has not been disbursed since the BAAC has sufficient liquidity. The outstanding agricultural credit from the BOT at the end of 2002 was B1,332.4 million, down by B560.8 million or 29.6 percent from 2001.

In addition, there were four more credit facilities namely the rural development project, the rehabilitation of real estate business project, credit to private educational institutions project, and credit to housing project. However, there was no disbursement from these projects during 2002. Thus, there was no outstanding credit by year-end.

## **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 2002 are as follows:

1.1 Notice of the Competent Officer on Principles and Procedures Regarding the Currency Exchange (No.10) dated 30 July 2002 giving authorized agents the authority to grant approvals for certain business transactions and remittances and revising earlier Notices of the Competent Officer to better suit the current operating environment.

1.2 The Competent Officer's Circular FOG (14) Wor 2/2545 dated 30 July 2002 revising the regulations concerning the reporting principles and procedures as well as giving authorized agents the authority to alter information on some report forms for accuracy.

#### **2. Implementation of the Exchange Control Act**

##### **2.1 Outflow by Residents**

In 2002, outflow by Thai residents amounted to US\$222.59 million to be divided into US\$115.01 million in foreign direct investment, US\$3.87 million in purchase of immovable assets, US\$45.40 million in loans to affiliate companies abroad, and US\$58.31 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: 161 cases

2.2.2 import and export

(1) netting and others: 145 cases

- (2) repatriation of export proceeds later than 120 days: 850 cases
- 2.2.3 Thai baht loan repayment: 283 cases
- 2.2.4 foreign currency loan repayment: 404 cases
- 2.2.5 purchase of immovable assets: 26 cases
- 2.2.6 foreign direct investment: 11 cases
- 2.2.7 purchase of securities abroad: 194 cases
- 2.2.8 remittances by Thai persons temporarily residing abroad: 2 cases
- 2.2.9 repatriation of nonresidents' fund: 137 cases
- 2.2.10 hedging contracts between residents and foreign institutions:  
111 cases
- 2.2.11 loan to companies abroad : 8 cases
- 2.2.12 replies to enquiries regarding exchange control: 22 cases
- 2.2.13 others including offshore gold loan, remittances of condominium rental and sale, insurance claims, mutual funds' capital, insurance fee, advances, Thai baht notes, donations, and other services: 430 cases

### 2.3 Co-operation with Government Units in Relation to Exchange Control

Participation in the drafting and negotiation of 4 bilateral agreements led by the Ministry of Foreign Affairs.

### 3. Inspection of Proceeds from Exports.

In 2002, the payment value of exports according to F.T.1 form rose 2.4 percent from the previous year to US\$49,813 million. The amount of foreign currency received from exports and exchanged into Thai baht, deposited into

**Table 7 : Exports Value and the Receipts of Proceeds of Exports**  
(Unit : Million US\$)

	2001	2002 <sup>P</sup>
1. Payment value of exports according to F.T.1 form <sup>1/</sup> Δ%	48,648 -3.9	49,813 2.4
2. Foreign currency received from exports : exchanged into Thai baht, deposited into foreign currency deposit accounts and repaid foreign debts <sup>2/</sup> Δ%	48,449 -8.0	52,792 9.0

**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 percentage change from the same period last year.

foreign currency deposit accounts or used for repayment of foreign currency debt totalled US\$52,792 million, an increase of 9.0 percent from 2001 and equalled to 106.0 percent of the export value during the same payment period.

## **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-2002, the number of authorized agents amounted to 33 financial institutions, a decrease of 1 agent from last year due to the merger of the Bangkok Metropolitan Bank with the Siam City Bank. The authorized agents comprised of 12 commercial banks registered in Thailand, 18 foreign bank branches, the Export-Import Bank of Thailand, the Industrial Finance Corporation of Thailand, and Asia Credit PCL.

#### **1.2 Volume of Transactions**

In 2002, the purchase of foreign currencies from customers totalled US\$283,624.2 million, an increase of 44.0 percent from last year, whereas the sale totalled US\$286,039.7 million, an increase of 45.8 percent. Net sale over purchase totalled US\$2,415.5 million, a reversal of net purchase over sale seen last year. The sale to domestic customers for the purpose of debt repayment as well as net sale to overseas financial institutions mainly contributes to the overall net sale.

**Table 8 : Foreign Exchange Purchase and Sale of Authorized Agents**  
(Unit : Million US\$)

	<b>2001</b>	<b>2002</b>	<b>Δ%</b>
Purchase	196,978.4	283,624.2	+44.0
Export	36,906.5	40,576.3	+9.9
Other	160,072.9	243,047.9	+51.8
Sale	196,152.2	286,039.7	+45.8
Import	36,653.6	38,625.5	+5.4
Other	159,498.6	247,414.2	+55.1
Net Purchase and Sale	826.2	(2,415.5)	-392.4
Foreign Trade	251.9	1,950.8	+674.4
Other	574.3	4,366.3	-860.3

**Note :** *Figures in parentheses indicate the amount of sale greater than purchase.  
Δ% represents percentage change from the same period last year.*

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

Trade - related transactions, however, saw a net purchase over sale increasing almost sevenfold due to large purchase from exporters.

### 1.3 Foreign Exchange Positions

At end-2002, authorized agents held a long position of US\$417.6 million in the net foreign exchange position. Spot position was at long US\$10,559 million, a decrease of 11.6 percent from last year resulting from the net sale over purchase to customers. Total asset decreased by 12.8 percent due to loan repayment and the net sale to customers mentioned earlier. Total liabilities decreased as well by 14.6 percent from last year. Forward position, on the other hand, was at short of US\$10,141.4 million, a cutback of 11.7 percent from last year. The short forward position was mainly curtailed by a greater demand to hedge FX risk among exporters. Outstanding forward purchase increased by 3.5 percent from last year whereas outstanding forward sale decreased by 0.3 percent from last year.

**Table 9 : Foreign Exchange Position of Authorized Agents at end 2002**  
(Unit : Million US\$)

	End 2001 (+ Long, – Short)	End 2002 (+ Long, – Short)	Δ%
1. Spot Position	+11,949.8	+10,559.0	-11.6
Assets	19,099.8	16,662.8	-12.8
Liabilities	7,150.0	6,103.8	-14.6
2. Forward Position	-11,489.7	-10,141.4	-11.7
Bought	34,569.0	35,777.2	+3.5
Sold	46,058.7	45,918.6	-0.3
3. Net Position (1+2)	+460.1	+417.6	-9.2

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

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

### 2. International Banking Facilities (IBFs)

At end-2002, there were a total of 31 operating IBFs, a reduction of 5 banks from the previous year. Five banks which ceased their operation comprises of both Thai and foreign Bangkok International Banking Facilities (BIBFs), namely Standard Chartered Nakornthon Bank, Bangkok Metropolitan Bank, the Tokai Bank Ltd., Fortis Bank Ltd., and Overseas Union Bank Ltd., bringing the total number of operating Thai BIBFs and foreign BIBFs down to 9 and 7 banks, respectively. The number of foreign bank branches' IBFs remained unchanged at 15 banks while the number of Provincial International Banking Facilities (PIBFs) also remained unchanged, from the previous year, to 7 banks nationwide.

**Table 10 : Net lendings of IBFs***(Unit : Million US\$)*

	2001			2002		
	Out – In	Out – Out	Total	Out – In	Out – Out	Total
<b>Thai IBFs</b>						
Lending	6,367.2	581.2	6,948.4	3,473.1	402.3	3,875.4
Receipt of repayments	6,953.5	677.4	7,630.9	3,681.5	276.8	3,958.3
Net	-586.3	-96.2	-682.5	-208.4	125.5	-82.9
<b>Foreign Bank Branches IBFs</b>						
Lending	61,984.9	1,618.8	63,603.7	69,759.3	853.8	70,613.1
Receipt of repayments	63,073.2	1,795.8	64,869.0	70,587.9	909.6	71,497.5
Net	-1,088.3	-177.0	-1,265.3	-828.6	-55.8	-884.4
<b>Foreign IBFs<sup>1/</sup></b>						
Lending	3,857.9	415.4	4,273.3	1,426.7	36.3	1,463.0
Receipt of repayments	4,395.9	507.2	4,903.1	1,975.9	68.9	2,044.8
Net	-538.0	-91.8	-629.8	-549.2	-32.6	-581.8
<b>Total</b>						
Lending	72,210.0	2,615.4	74,825.4	74,659.1	1,292.4	75,951.5
Receipt of repayments	74,422.6	2,980.4	77,403.0	76,245.3	1,255.3	77,500.6
Net	-2,212.6	-365.0	-2,577.6	-1,586.2	37.1	-1,549.1

**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)

In 2002, IBFs' lending figure showed the net repayments receipt of US\$1,549.1 million, attributable partly to customers' preference shift towards baht borrowings from commercial banks. Outstanding foreign currency lending accordingly declined by 19.7 percent from the previous year to the total of US\$6,262.6 million. Of this amount, US\$5,418.4 million is attributable to Out-In lending and the remaining amount of US\$844.2 million was Out-Out lending, 77.8 percent of the lending was denominated in US dollar and 20.7 percent in yen. For the value of market share, lending of foreign bank branches' IBFs gained the largest market share (70.7 percent), followed by Thai IBFs (19.2 percent) and foreign IBFs (10.1 percent).

Outstanding foreign currency loans and deposits declined from the previous year by 20.9 percent, to reach the new level of US\$5,686.9 million. Loans were mostly denominated in yen (56.8 percent) and US dollar (43.0 percent). Deposits were denominated in US dollar (86.7 percent) and Euro (13.3 percent), with the outstanding amount of US\$3 million.

**Table 11 : Lending Outstanding of IBFs**  
(Unit : Million US\$)

	End – 2001	End – 2002	Δ%
1. Out – In	7,001.1	5,418.4	-22.6
2. Out – Out	800.5	844.2	+5.5
<b>Total</b>	<b>7,801.6</b>	<b>6,262.6</b>	<b>-19.7</b>

**Note :** Δ% represents percentage change from the same period last 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-2002, there were 266 authorized moneychangers (145 offices located in Bangkok and 121 offices in the provincial areas), 4 money transfer agencies, and 374 exchange currency service offices (169 Bangkok offices and 205 provincial offices). The only existing authorized company in 2002 did not apply for a renewal of license which expired at the end of the year.

#### 3.2 Authorized Moneychanger/Agency Examination

In 2002, 148 authorized moneychangers were examined, 28 of which failed to comply with the BOT's notifications. All of such cases were corrected in accordance with the BOT's requirement. All of the Money Transfer Agencies examined were found to comply with the BOT's notifications.



**Table 12 : Transaction Volume of Foreign Exchange through Authorized Moneychanger, Authorized Company, Money Transfer Agency and Exchange Currency Service Office at end-December 2002**

Type	No.	Change from the Previous Year	Purchase/ Remittance Volume		Sale/ Remittance Volume	
			Million US\$	Δ%	Million US\$	Δ%
Authorized Moneychanger	266	-3	160.23	-1.92	160.74	-1.35
Authorized Company	0	-1	-	-100.0	0.1	-95.96
Money Transfer Agency	4	-	38.68	29.27	3.8	-25.13
Exchange Currency Service Office	374	-13	1,822.57	12.32	191.38	29.31

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

### 3.3 Measures for Unauthorized Foreign Exchange Services

During 2002, 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 coordinated 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 2002, 12 issues of Ministry of Finance bonds were issued with total value of B471,500 million. These included 7 issues of ordinary bonds and 5 issues of Re-open bonds.

At the end of 2002, the outstanding value of 70 issues totalled B1,114,880.9 million.

##### Treasury Bills

In 2002, 136 issues of T-bills totalling B504,000 million were auctioned. There were 126 issues redeemed with total value of B477,000 million.

At the end of 2002, the outstanding value of 33 issues totalled B134,000 million.

### Debt Restructuring Bills

In 2002, 3 issues of Debt restructuring bills totalling B15,000 million were auctioned. There were 4 issues redeemed with total value of B18,000 million.

At the end of 2002, there was no Debt restructuring bill remaining.

### 1.2 State Enterprise Bonds

At the end of 2002, the BOT was a registrar and payment agent for 444 issues of State enterprise bonds totalling B623,320.8 million. These included 32 issues totalling B39,488 million issued in the year 2002.

In 2002, 167 issues were redeemed with total value of B268,851.5 million.

At the end of 2002, there were 277 issues totalling B354,469.3 million, see Table 13.

**Table 13 : Outstanding of State Enterprise Bonds at end-2002**

*(Unit : Million baht)*

<b>State Enterprise Bonds</b>	<b>Number of issues</b>	<b>Outstanding Value</b>
1. The Bangkok Mass Transit Authority Bonds	7	8,675.5
2. The National Housing Authority Bonds	11	15,500.0
3. The Expressway and Rapid Transit Authority Bonds	62	74,805.5
4. The Metropolitan Waterworks Authority Bonds	8	9,538.8
5. The Provincial Waterworks Authority Bonds	8	7,700.0
6. The Petroleum Authority of Thailand Bonds	54	62,677.5
7. The Metropolitan Electricity Authority Bonds	7	6,700.0
8. The Electricity Generating Authority of Thailand Bonds	54	73,452.9
9. The Provincial Electricity Authority Bonds	6	6,980.0
10. The State Railway of Thailand Bonds	23	21,539.1
11. The Mass Rapid Transit Authority of Thailand Bonds	14	16,900.0
12. The Government Housing Bank Bonds	23	50,000.0
<b>Total</b>	<b>277</b>	<b>354,469.3</b>

### 1.3 Bank of Thailand Bonds (BOT Bonds)

In 2002, there was no BOT bond issued and redeemed.

At the end of 2002, there was no BOT bond remaining.

#### **1.4 Financial Institution Development Fund Bonds (FIDF Bonds)**

In 2002, there were 12 issues totalling B202,000 million auctioned. There were 36 issues redeemed with total value of B392,500 million.

At the end of 2002, the outstanding value of 17 issues totalled B314,000 million.

#### **1.5 The Property Loan Management Organization Bonds (PLMO Bonds)**

In 2002, there was no PLMO bond issued and redeemed.

At the end of 2002, 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 during 2002. Moreover there were no IFCT debentures redeemed in 2002.

At the end of 2002, the outstanding value of 5 issues totalled B4,800 million.

#### **1.7 The Bangchak Petroleum Public Company Limited Debentures**

The BOT did not act as a registrar and payment agent during 2002. Moreover there were no BCP debentures redeemed in 2002.

At the end of 2002, the outstanding value of 2 issues totalled B6,600 million.

### **2. Redemption of Government Bonds**

In 2002, the BOT conducted the redemptions of 2 issues of government bonds totalling B60,000 million. There were 3 issues partially redeemed with the total value of B3,294 million. The principal payment totalling B19.3 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 2002, there were redemptions of 30 issues totalling B48,060.3 million.

### **4. Interest Payment**

In 2002, there were 101,497 transactions of coupon payment valued at B79,591.6 million, as in Table 14;

**Table 14 : Interest Payment**

<b>Bonds/Debentures</b>	<b>Number of issues*</b>	<b>Number of Transactions</b>	<b>Payment Value (Million baht)</b>
1. Government Bonds	96	82,520	49,386.1
2. State Enterprise Bonds	550	16,735	26,915.0
3. FIDF Bonds	7	1,470	2,675.7
4. IFCT Debentures	11	561	379.8
5. BCP Debentures	3	211	235.0
<b>Total</b>	<b>667</b>	<b>101,497</b>	<b>76,591.6</b>

**Note :** \* *The issue here means the number of interest payments in the year. That means, if some bond has interest payment twice a year, the issue number will be shown as 2 issues.*

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

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

#### **1.1 Policies to Encourage Debt Restructuring within Financial Institutions**

1.1.1 Extended the period of privileges for debt restructuring for one more year ending 31 December 2003, thus permitting financial institutions to do the followings :

(1) Hold shares in limited companies, acquired through debt restructuring, in excess of the legal limit.

(2) Conduct hire purchase and leasing business for assets derived from debt restructuring.

(3) Holding foreclosed property for a period longer than legal limit, for those transferred within the period of 1 January 1997 to 31 December 2003.

1.1.2 Revised regulation on debt restructuring to be in accordance with Accounting Standard No. 34 Re: Accounting Standard for Troubled Debt Restructuring.

1.1.3 Allowed the international banking facilities for off-shore lending to accept the repayment of principal and the payment of interest from domestic residents in the case of debt restructuring in accordance with rules prescribed by the BOT.

1.1.4 Expanded the list of approved loan sellers to allow financial institutions to purchase loans from asset management companies (AMCs), Thai Asset Management Corporation (TAMC), and receivership of the 56 closed finance companies, in order to enhance the effectiveness of the financial institutions' asset and liquidity management, and increase the number of players in the market. However, the loans purchased from AMCs must be loans that have already been restructured and are classified within normal or special mention category.

## **1.2 Expanding Scope of Business of Financial Institutions**

1.2.1 Amended the conditions for permitting commercial banks to engage in arranging, underwriting, and dealing in debt securities by changing the criteria from those based on the size of such financial institutions to one based on risk-management ability, good corporate governance, and financial soundness and stability of the financial institutions.

1.2.2 Allowed commercial banks to act as an introducing agent for services of securities companies to customers, with the objectives of promoting development of capital market.

1.2.3 Allowed commercial banks to engage in investment advisory services.

1.2.4 Expanded the scope of finance companies' hire purchase business to include hire-purchase agreement on automobile for which the ownership has been transferred from general public.

1.2.5 Permitted finance companies to borrow from institutional investors through Private Repo market.

1.2.6 Permitted commercial banks to be a broker of general and life insurance business. In performing such activity, commercial banks have to receive permission from, and comply with the regulations of, the Department of Insurance.

1.2.7 Permitted commercial banks to distribute brochures of insurance companies to their customers.

1.2.8 Permitted commercial banks to appoint other commercial banks, specialized financial institutions, or other finance companies to be a deposit-taking agent, loan and credit card payment collection agent; and, commercial banks may appoint the Communications Authority of Thailand (CAT) or money transfers service-provider to be the loan and credit card payment collection agent.

1.2.9 Permitted finance companies to appoint commercial banks, specialized financial institutions, or other finance companies to be a deposit-taking agent for fixed deposit with passbook; and, finance companies may appoint

commercial banks, specialized financial institutions, CAT, or money transfers service-provider to be the loan payment collection agent.

1.2.10 Permitted commercial banks to provide back office and support functions for their parent companies, subsidiaries, and affiliates that perform financial services.

### **1.3 Financial Institutions Supervision Policies**

#### **1.3.1 Regulations on asset classification and provisioning**

(1) Financial institutions are allowed to set provisioning for assets classified as “pass” and “special mention” at 1 and 2 percent, respectively, or at the average actual rate of migration into NPL of previous 4 quarters, whichever is lower.

(2) Improved classification by quality of debtor by revoking several conditions such as classification of borrowers who are current but whose businesses have 2 or 3-year successive losses.

(3) Classification by accounts replaces classification by debtors.

(4) Expanded types of collateral allowed to be used for deduction from the book value of the debt before calculating the provisioning requirements.

(5) Revised regulations on appraising the value of collaterals for assets classified as “Pass” and “Special Mention” which can be deducted from the book value of the debt before calculating provisioning.

(6) Revised regulation on debt restructuring as part of assets classification in accordance with Accounting Standard No. 34 Re: Accounting Standard for Troubled Debt Restructuring.

(7) Revised regulations governing accounting methodology for doubtful debtors, with 100 percent provisioning, that commercial banks have already written off, requiring that commercial banks must write-back debtors with collateral back into their balance sheet. Nevertheless, decisions concerning debtors without collateral are left to the discretion of the commercial banks.

(8) Allowed financial institutions to accept commemorative 500000-baht banknotes issued on special occasions as collateral.

1.3.2 Revision of regulations on single lending limit of commercial banks by revising the definition of Tier I capital to include those of foreign bank branches and permitting some additional transactions to be excluded from single lending limit calculation.

1.3.3 Revision of regulations concerning related parties lending by

revising the definition of “lending to/or investing in inappropriate amount.” Furthermore, lending or investment in government agency is exempted from this notification.

1.3.4 Revision of regulations on credit extensions for securities trading purposes, and credit extensions which have securities as collateral. Financial institutions are allowed to grant credits to the public limited companies for the purpose of buying back shares from their shareholders (Treasury Stock). The financial institutions are allowed to pledge securities deposited with Thailand Securities Depository Company Limited either through using physical certificate or Scripless system.

#### 1.3.5 Regulation on maintenance of net foreign exchange position

The BOT revised the regulation on maintenance of net foreign exchange position to be in line with international standards and to strengthen the efficiency and effectiveness of supervision of foreign exchange risk. The revised regulation can be summarized as follows: (1) Financial institutions are required to maintain net foreign exchange position by the end of business day in single currency not exceeding 15 percent of total capital (Individual currency limit), (2) The BOT has also changed the calculation method of aggregate position to BIS shorthand method and requires financial institutions to maintain aggregate position by the end of business day not exceeding 20 percent of total capital (Aggregate currency limit), (3) Thai commercial banks must include the foreign exchange positions of their foreign branches in the calculation of net foreign exchange position.

#### 1.3.6 Regulation on maintenance of liquid assets by commercial banks

The BOT has revised the regulation on maintenance of liquid assets by financial institutions to permit financial institutions to utilise debt instruments issued by government agencies or state enterprises as approved by the BOT in the maintenance of liquid assets. The BOT expanded the list of government agencies or state enterprises approved to include the Asset Management Corporation (AMC) and improved the composition and computation method of the liquid assets ratio for greater clarification in its application.

#### 1.3.7 Policy statement on liquidity risk management in financial institutions

This policy is to ensure that financial institutions have established a sound system for liquidity risk management in accordance with international best practice in order to meet their due obligations and to maintain adequate liquid assets for sustaining a short period of stressful situation. The policy contains many essential guidelines, such as roles of financial institutions’ Board of Directors or senior executives in liquidity management, minimum requirements on a liquidity policy and associated action plans including contingency plan, and a minimum data

system requirement for liquidity management. Overall, this policy is aimed at strengthening financial institutions' financial positions and depositors' confidence and maintaining a sound financial system.

#### 1.3.8 Permission for commercial banks to engage in Credit Linked Note transactions

In order to provide commercial banks with a new alternative to hedge their credit risks and to enhance returns, the BOT permitted commercial banks to engage in the Credit Linked Note transactions, which should also enable the banks to improve their efficiency. The said transaction must be under the scope of business and subject to the supervisory guidelines prescribed in the BOT's notification, covering the transaction description, types of counter-parties, currency denomination, types of reference assets, and the application of capital adequacy requirement and large exposure limits.

#### 1.3.9 Regulation on credit card business

Issuance of regulations, procedures, and conditions requiring compliance by both commercial banks and non-bank credit card issuers concerning qualification of credit card applicants, interest rate, penalty fees, other service charges and fees related to credit card usage, information disclosure, guidelines for minimum debt repayment, credit card risk management system, database system for collecting applicants' information, transfer of credit card debt, and reporting requirements. Credit card issuers shall disclose the details of the mentioned charges and fees in accordance with the BOT's specified format in the credit card application form so as to assist the applicants' decision-making process. Also, the aforementioned details shall be posted at the credit-card issuers' offices. In case there is interest charges or fees on the unpaid debts, the details of the calculation on such charges and fees shall be shown in the debt-collecting invoice.

#### 1.3.10 Revision of regulations concerning loan reviews and contingent liability

To help reduce costs and burden of financial institutions, and to encourage financial institutions to have adequate internal controls for monitoring, preventing and solving non-performing asset problem, the BOT revised the regulation on loan review and relating reports on 20 September 2002. The revisions, which supersede the circular Letter No. BOT. X. C. 3358/2541, are as follows:

(1) The financial institutions must submit their loan review and contingent liability reports to the BOT every quarter.

(2) The financial institutions must also submit loan review plan approved by their Board of Directors to the BOT within 31 January of each year (for 2003 the deadline is 31 March 2003). The financial institutions shall report the progress of their loan review to their Board of Directors on a quarterly basis.



(3) The financial institutions shall review every loan and contingent liability related to each debtor at least once a year, excluding the loans which are not expected to be recovered, and new loans which were approved in that calendar year. However, financial institutions can review credits by random sampling in accordance with the reliable statistic method for small debtors.

(4) When reviewing the loans of a particular debtor, the financial institutions shall also review the contingent liability related to that debtor. Furthermore, the financial institution shall review the contingent liability of 20 largest debtors that have no outstanding balance on their loan accounts.

(5) To achieve the objective of quality assessment of the credit extension process and to prevent non-performing loan problems, financial institutions shall perform loan reviews in accordance with the scope and guidelines set by the BOT.

(6) The financial institutions shall perform credit review via an independent review process that is separate from the credit approval process. The BOT may temporarily relax this requirement for financial institutions that have human resource constraints. Such financial institutions would not have to set up an independent review process until the BOT instructs them to comply with the independent credit review process.

1.3.11 Revised rules and procedures regarding compensation for losses incurred by depositors due to branch closure in order to ensure fairness to both the consumer and financial institution.

1.3.12 Issued requirement for commercial banks, finance companies, and credit foncier companies to submit their half-year financial reports to the BOT within 90 days of the end of the accounting period.

1.3.13 Repealed requirement for finance companies and credit foncier companies to submit their advertisement to the BOT.

1.3.14 Issued qualification requirement and approval criteria for selection of external auditors of financial institutions, as well as scope of work to be performed by the external auditor.

1.3.15 Issued policy statement on structure of the Board of Directors, sub-committees such as audit, risk management, nomination, and remuneration committees of commercial banks to enhance corporate governance within financial institutions.

1.3.16 Amended regulations regarding the purchase or holding of immovable properties for use as premises for the business of the commercial bank or as facilities for its officers and employees.

1.3.17 Revised regulations regarding relocation of branches,

temporary closing and opening of commercial bank branch offices under emergency circumstances, broadening their zone of new operations to nearby vicinity, extension of grace period on permitted establishment of branch offices, in addition to prescribing rules on authorizing banking operations within and beyond banking premises and office hours.

1.3.18 Revised regulations regarding the accounting methodology concerning the transfer and purchase of loans for financial institutions to comply with the Guideline on Accounting for a Transfer of Financial Assets, which was issued by the Institute of Certified Accountants and Auditors of Thailand.

1.3.19 Issued the guideline requiring financial institutions to use the accounting methodology prescribed by the Thai accounting standard chapter 40 on accounting for investments in debt and equity securities. The guideline also determines the standardized methodology for calculating fair value of various types of securities to be used by financial institutions.

1.3.20 Revised regulations regarding maintenance of capital funds concerning (1) the incremental value of real property revaluation to be counted as the Tier 2 capital funds, (2) the redemption criteria on innovative capital instruments or subordinated debts, and (3) risk weighted specification of assets and contingent liabilities.

1.3.21 Amended rules governing the purchasing and holding of shares of public companies by commercial banks of which commercial banks cannot hold more than 10 percent of total outstanding shares of the company and no more than 20 percent of the commercial banks' capital.

1.3.22 Prepared for the New Basel Capital Accord implementation by asking for comments on the New Basel Capital Accord consultative papers from various financial institution associations, and conducting surveys on banking industry in assessing the readiness for implementation and the impacts of the New Accord.

1.3.23 Prepared for consolidated supervision by studying and considering a framework and methodology to supervise financial institutions as financial conglomerates.

1.3.24 Issued guidelines concerning information disclosure and reporting requirements of financial institutions.

(1) Revision on the financial report forms required to be submitted by financial institutions, such as financial position and revenues and expenses reports (CB.3, FS.3, CF.3, CB.5, FC.3/3 and CF.3/3), to conform with the new Balance Sheet and Profits and Losses formats in accordance with accounting standards issued by the Ministry of Commerce under the new Accounting Act of B.E. 2543 (2000).

(2) Revision on the definition of Non-Performing Loans (NPLs) and the preparation of reports required to be submitted by financial institutions accordingly.

**First revision:** Effective as of end-February 2002 to end-November 2002, the exclusion of the following items from NPLs:

- O/D loans with unwithdrawn amount and/or remaining period.
- Doubtful of loss loans of which full provisioning have been made.

**Second revision:** Effective from end-December 2002. The essentials are:

- Revision on the definition of NPLs to include impaired loans.
- Changing the reporting frequency, from monthly to quarterly periods.

(3) Revision on the summary statement showing liabilities and assets.

**First revision:** Effective as of end-June 2002 to end-November 2002, to include the statement “the summary statement has yet to be certified by a certified public accountant”, and “the edited copy” for instances where changes have been made to the summary statement. In addition, loans to related individual or entity originating from debt restructuring shall be shown separately from other categories of loans to related individual or entity.

**Second revision:** Effective as of December 2002, financial institutions shall disclose NPLs data in accordance with the new NPL definition at the end of the summary statement.

#### 1.3.25 SMEs credit extension target

The BOT has requested commercial banks to submit their SMEs credit extension target for 2002 to the BOT, and report the progress on the semi-annual basis to the BOT. In response, commercial banks set their total SMEs credit extension target for 2002 at B27,491 million, reflecting a 10.14 percent decline from the 2001 target of B30,594 million. Within the first half of 2002, 87.60 percent of the annual target was achieved.

#### 1.3.26 The draft Financial Institutions Businesses Act:

##### **Background:**

The BOT together with the Ministry of Finance drafted the Financial Institutions Businesses Act to replace the existing Commercial Banking Act B.E. 2505 and the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business B.E. 2522. The main rationale of the draft is to be in keeping with international best practices. The major changes of prudential regulations

from the existing acts are consolidated supervision, strict limitation on loans to related party, enhancement of the BOT's flexibility to determine the capital requirement for risk assessment, clarity in the prompt corrective action procedures for rectifying problem financial institutions, and roles of BOT in consumer protection.

### **Developments of the draft Financial Institutions Business Act:**

As the Senate and the Lower House retained contention in some clauses of the act drafted by the Lower House and deliberated by the Senate, the Parliament had set up the Joint Committee between the Senate and the Lower House to revise the draft. On 9 September 2002, the Senate voted against the revised draft of the Joint Committee while the Lower House voted for the draft on 23 September 2002.

According to the Constitution, the Lower House has to wait for at least 180 days, i.e., after 9 September 2002, before they can reconsider and pass one of the two versions of the act: (1) the original draft that was submitted by the Lower House or (2) the new draft that was revised by the Joint Committee but rejected by the Senate.

The Financial Institutions Business Act is expected to be promulgated in March 2003 and will become effective after 6 months, which is around September 2003.

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

### **2.1 Risk Management of E-banking**

#### **2.1.1 Circulation of risk management principles for electronic banking**

The BOT circulated the Risk Management Principles for Electronic Banking issued by the Bank for International Settlements (BIS) as a guideline for financial institutions to manage risks associated with electronic banking activities. Applying the principles to the electronic banking systems will improve the confidence in electronic banking transactions and will bring the electronic banking processes and systems closer to international standard.

#### **2.1.2 Circulation of the Electronic Transactions Act (B.E. 2544)**

The BOT circulated the Electronic Transactions Act (B.E. 2544) to inform financial institutions of its promulgation on 3 April 2002. The essence of the Act is to ensure the legal effect and enforceability of an electronic data message.

### **2.2 Promoting Transparency in Business Operation**

The BOT informed financial institutions that it considers the transfer of non-performing loans from BIBF to the parent banks operating in Thailand for the

purpose of debt restructuring, with such loan being transferred without fully realizing losses from debt restructuring prior to the transfer, as deliberately taking advantage of IBFs tax privileges. Any commercial banks wishing to rectify such transactions in order to comply with tax laws and other laws and regulations may do so immediately. As for the purpose of reporting to the BOT, such adjustments will not be retroactive, but the reporting in a manner in compliance with this guideline will take effect starting the accounting period ended 30 June 2002.

### **2.3 Financial Sector Master Plan**

The recent East Asian financial crisis underscores the importance of a sound and well-functioning banking sector to the overall health of the economy. Consequently, since the beginning of 2002 the BOT has embarked on a year-long project to outline medium-term strategies to further modernize and enhance efficiency of the Thai financial institutions. To be implemented in the next 5-10 years, this market-based reform intends to increase financial institutions' roles in the economic development process. It also aims to provide more accessible and affordable services to potential financial services users in all market segments, in both urban and rural areas. The project consists of four phases.

**First Phase:** In February 2002, the BOT established a Steering Committee (hereafter called "The Committee") to oversee the drafting of the financial sector master plan, articulate a vision, and recommend short-term and long-term strategies for the future development of Thai financial institutions. The Committee will also supervise and provide necessary guidance to the Working Team in conducting consumer surveys, background studies, in-depth research, as well as soliciting comments from relevant stakeholders until the completion and implementation of the plan.

**Second Phase:** The BOT currently commissions two separate studies, with internal funding. The first study will entail a nationwide survey designed to analyze consumers and businesses' financial service needs in all market segments, in both urban and rural areas. Meanwhile, the second study will provide the necessary background analysis on the global, regional, and domestic financial services trends, and provide specific policy recommendations for the financial sector master plan. These studies, together with directives from the Committee, will be the core materials for the write-up of the draft of the Financial Sector Master Plan.

**Third Phase:** Focus group, industry hearing as well as workshop amongst market participants, regulators, experts and academics will be held during the first quarter of 2003 to review the draft of the Financial Sector Master Plan, which includes a list of recommendations and its transitional plan.

**Fourth Phase:** The BOT will announce the Financial Sector Master Plan and its implementation plan during the period between April and year-end 2003.

2.4 Set annual holidays for financial institutions for 2003.

2.5 Actively participated in the national sub-committee to enhance corporate governance for commercial banks, finance companies and insurance companies established under the national committee to enhance corporate governance.

2.6 Conducted a seminar "Training in Good Governance" with assistance from the AusAID to present the guidelines on financial institutions' corporate governance assessment.

2.7 Participated in a steering committee of Ministry of Finance's project called "Rationalization and Corporate Governance of SFIs."

## **E. Financial Institutions Supervision**

### **1. Financial Institutions Supervision Policy**

The BOT has the responsibility to supervise, monitor, identify problems in any individual financial institution or financial system, and to ensure that such problems are appropriately corrected. Risk-based Supervision is used as the guideline to provide continuous supervision. The BOT conducts on-site examinations as well as closely monitor and analyse conditions and performance of financial institutions to be able to provide prompt corrective actions when there is a sign indicating potential problems in any financial institutions.

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

### **2. Financial Institutions Examination**

#### **2.1 Examination Scope**

The examination of commercial banks, finance/finance and securities companies, and credit foncier companies is to assess their financial conditions and their risk management by emphasizing on the risk level and risk management's quality in five areas i.e. Strategic Risk, Credit Risk, Market Risk, Liquidity Risk, and

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\* *Specialized financial institutions consist of the Government Housing Bank, Bank for Agriculture and Agricultural Cooperatives, the Government Savings Bank, the Export-Import Bank of Thailand, the Industrial Finance Corporation of Thailand, the Small and Medium Enterprise Development Bank of Thailand, the Secondary Mortgage Corporation, Thai Asset Management Corporation, the Asset Management Corporation, and the Private Asset Management Companies.*

Operational Risk. The impact of such risks on their financial condition and performance must be assessed and estimated. Simultaneously, the examination of capital adequacy, compliance with legal and the BOT's regulation, and public complaints is conducted.

Specialized financial institutions examination, delegated from the Ministry of Finance, also focuses on assessing financial condition and risk management while the examination of asset management companies emphasizes on management of non-performing assets.

## 2.2 Examination Results in 2002

The examination result indicated that most of financial institutions' composite ratings were satisfactory. In case of financial institutions with ratings lower than satisfactory, the BOT has had the financial institutions' management concentrate on improving the risk management system as priority. Loan growth slightly increased and many financial institutions were still putting much effort in solving the non-performing loan. Most of the financial institutions were profitable in 2002 but few of them were still experiencing loss from the loan loss provisioning reserve. However, all financial institutions' capital adequacy ratios were above the minimum legal requirement (except Thanapat Credit Foncier Company). In the mean time, non-performing loan, which was transferred to asset management companies, were largely cut down by debt restructuring.

**Table 15 : The number of financial institutions supervised by the Supervision Group in 2002**

<b>Financial Institutions</b>	<b>Number of Head Office Examinations</b>
Domestic Commercial Banks	13
Foreign Bank Branches	13
Finance/Finance and Securities Companies	16
Credit Foncier Companies	6
Specialized Financial Institutions	20
<b>Total</b>	<b>68</b>

## 2.3 Other Examinations

The BOT conducts examination regarding fraud or mismanagement that involves many financial institutions, diagnosis on the violation of the law under the BOT's authority. The BOT also investigates in response to the public complaints

and to ensure no violation of the Commercial Banking Act and the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business. In addition, the BOT performs the special on-site examination for example the Information System Examination, Market Risk and Credit Risk Model Validation Examination, Foreign Exchange Transaction Testing.

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

Like on-site examination, the off-site monitoring and analysis analyses financial condition, capital adequacy, and risk management. The analysis reports are submitted quarterly for Thai financial institution's and semi-annually for foreign bank branches and International Banking Facilities' (IBFs).

The BOT closely monitors the weak financial institutions' condition and performance as well as enforces the corrective actions.

### **4. Financial Institutions Application**

The BOT supervises financial institutions through approving, waiving, and responding to questions raised by the financial institutions. The BOT also follows up the financial institutions' compliance with the approved condition, notification and circulation letters of the Ministry of Finance or the BOT. In addition, the BOT determines the fine to the financial institutions that fail to comply with some regulations.

### **5. Financial Institutions Corrective Action**

In 2002, the BOT underwent the rectification of weak financial institutions as follows:

5.1 The merger of the Bangkok Metropolitan Bank Public Company Limited and the Siam City Bank Public Company Limited with the approval of the Minister of Finance on 1 April 2002 was to enhance and strengthen potentials of the combined banks in the long run. It also restructured the financial sector thereby promoting greater stability in the system. All of the Bangkok Metropolitan Bank's assets and liabilities were transferred to the Siam City Bank.

5.2 The BOT proposed to the Minister of Finance to take over the control of Thanapat Credit Foncier Company on 23 December 2002 after the BOT examination shown the company's deteriorating financial condition, which may potentially undermine the public interest. The Ministry of Finance has appointed a Control Committee to take charge of all businesses of the company as an ongoing concern and has curtailed the power of the current board of directors and management. The Financial Institutions Development Fund (FIDF) has provided guarantee for principal and interest repayment to all depositors and creditors of the company.



## **6. Supervision Efficiency Enhancement**

Several activities have been conducted to enhance the efficiency of supervision function as follows:

### **6.1 Examiners Development**

The School for Examiners, established in 1999, provides training for examiners to have sufficient knowledge and readiness to perform supervisory tasks according to the policy and in the standardized practice. The examiners will be appointed as the Commissioned Examiners upon the completion of the required courses and a behavioural assessment test.

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

### **6.2 International Standard Supervision Development**

The BOT consistently updates the examination manuals, the examination reports and the supervision operating manuals. The Risk Rating Review committee was put in place to ensure the standard of all financial institutions' examinations. Furthermore, the BOT has enhanced the examiners' knowledge on the Basel Committee's new capital accord, which will be implemented in 2006.

## **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 2002, the Governor of the Bank of Thailand signed the agreement governing the Bilateral Swap Arrangement (BSA) with the Bank of Korea. Under the two-way arrangement, Korea will provide loans to Thailand amounting to US\$1 billion and vice versa in the event of balance of payments difficulties.

### **Bank for International Settlements -- BIS**

As a shareholder of 3000 shares in the Bank for International Settlements, the BOT received dividend payments at the rate of 380 SFr. in 2002. The BOT participates not only in the Annual General Meetings, but also in the bimonthly Governors' meetings, which provide a venue for Governors to address present concerns and issues of importance about global economic and financial developments.

The BIS's Asian Consultative Council, comprising member shareholders in the Asia-Pacific region, allows Governors of central banks in the region to discuss issues of concern. In addition, the BIS organizes a number of events yearly for central banks on specific issues, such as this year's Working Party on Monetary Policy held in the Philippines.

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

In 2002, the following EMEAP activities were held:

1. The 7<sup>th</sup> EMEAP Governors' Conference was held in Malaysia on 27 July 2002.

2. The EMEAP Deputy Governors' Meetings were held in March 2002, in Bali, Indonesia and in November 2002 in Jeju, Korea.

3. EMEAP Working Groups: In 2002, the following meetings were held:

3.1 Working Group on Banking Supervision—2 Meetings in May and August

3.2 Working Group on Payment and Settlement Systems—2 Meetings in March and November

3.3 Working Group on Financial Markets—4 Meetings in March, June, September, and December

3.4 IT Directors' Meeting—1 Meeting in March

### **International Monetary Fund: IMF**

In 2002, two meetings of the IMF's policy making body, the International Monetary and Financial Committee (IMFC), were held in Washington, D.C. The Spring Meeting was held on 20 April 2002, and the Fall Meeting was held on 29 September 2002. The meetings discussed IMF-specific issues such as IMF conditionality, anti-money laundering and the combating of financial terrorism, as well as the use of sovereign debt restructuring mechanism.

Furthermore, members of the Southeast Asian Voting Group, including Thailand, have decided to enhance the Group's profile in the IMF and increase efficiency in its work. A Focus Group has been established, and the first meeting was held in Bangkok on 20 September 2002.

The IMF continues to monitor and assess the Thai economy as part of the annual Article IV Consultations. The Post-Programme Monitoring visit, which started in 1998, has now been discontinued, as Thailand's liabilities to the IMF have fallen below its quotas.

## **South-East Asian Central Banks -- SEACEN**

The Bank of Mongolia hosted the 37<sup>th</sup> SEACEN Governor's Conference and the 21<sup>st</sup> Meeting of SEACEN Board of Governors during 25-26 June 2002. The meeting exchanged views on financial stability in Asia, financial sector reforms, and the challenges confronting the development of Asian economies. As for the work of the SEACEN Centre, the Board of Governors approved a total of 19 programmes in operating year 2002.

## **Central Banks in South-East Asia, New Zealand, and Australia -- SEANZA**

The Hong Kong Monetary Authority hosted this year's SEANZA Governors' Symposium, which was held on 2 November 2002 in Hong Kong. The theme for the Governors' Symposium was "Asset Prices and Financial Stability".

## **Corporate Debt Restructuring**

In 2002, the debt restructuring between financial institutions and debtors continued to progress successfully from the previous year. Non Performing Loans (NPLs), which was as high as B2,729,360 million in 1999, decreased to approximately B698,825 million as at the end of December 2002 (preliminary data). Successful debt restructuring was an important factor in this reduction. To this end, the Corporate Debt Restructuring Advisory Committee (CDRAC) has played a significant role in facilitating and expediting the debt restructuring process by expanding its target group over the previous year to encompass (1) small- and medium-sized debtors that have not been transferred to the Thai Asset Management Corporation (TAMC), (2) new NPLs, (3) re-entry NPL, (4) walk-in cases and (5) cases with upwards of B20 million in debt. The government on 3 December 2002 also extended the benefits and incentives for debt restructuring to the end of 2003.

### **1. Overall Progress in Debt Restructuring by Financial Institutions**

Over the last 4 – 5 years following the economic crisis, (1998 – November 2002) a total of 585,965 debtors with credits outstanding of B2,813,003 million entered into the debt restructuring process with financial institutions. Of these, 547,142 cases (93.37 percent), with credits outstanding of B2,684,494 million (95.43 percent) were successfully resolved and 38,823 cases with B128,509 million remained in the restructuring process. Between January and November 2002, a total of 71,005 debtors with B255,401 million were restructured, increased by 14.91 and 10.51 percent from the previous year, respectively. Most of these debtors were small- and medium-sized debtors in the personal consumption, wholesale and retail, agricultural service and industrial sectors.

Of the successfully restructured cases, 577,113 cases (98.49 percent) with credits outstanding of B2,526,648 million (89.82 percent) were debtors of Thai

commercial banks. A total of 2,455 cases (0.42 percent) with credits outstanding of B160,022 million (5.69 percent) were debtors of foreign banks and international banking facilities. A total of 5,601 cases (0.96 percent) with credits outstanding of B124,011 million (4.41 percent) were debtors of finance companies while 796 cases (0.14 percent) with credits outstanding of B2,322 million (0.08 percent) were debtors of credit fonciers.

## **2. CDRAC's Progress in the Facilitation of Debt Restructuring in 2002**

CDRAC's target debtors under management increased over 2002 with the qualification that debtors be viable juristic persons or corporate debtors with more than one creditor and more than B20 million in debt. Such target debtors must not be in the legal process or bankrupt or be foreclosed and remain in business, and have not closed their accounts. Additionally, CDRAC approved additional debtors that were restructured but re-entered into NPL status and debtors that walked-in directly to restructure their debts under the CDRAC process. Financial institutions were given the option to directly negotiate with debtors (within a specified timeframe) or under the CDRAC process.

In 2002, CDRAC approved an additional 535 target debtors with credits outstanding of B216,439 million from the previous year. Of these, 262 cases with credits outstanding of B148,353 million entered into the CDRAC process while independent restructuring with financial institutions accounted for 273 cases with credits outstanding of B68,086 million.

Among the 2002 target debtors, 161 debtors with credits outstanding of B66,067 million were successfully resolved as at the end of December 2002. Of these, 100 debtors with credits outstanding of B34,042 million were independently restructured by financial institutions and 61 cases with credits outstanding of B32,025 million restructured their debts under the CDRAC process. The debt restructuring methodology pursued this year included the reduction of interest rates, followed by the extension of the loan period, the reduction of principal or accrued interest, grace periods for principal or interest, debt-to-equity conversions and transfer assets for debt repayment.

From 1999 to the end of 2002, a total of 10,309 debtors with credits outstanding B1,374,031 million were successfully resolved, representing 67.01 percent of the number of target cases and 48.35 percent of the debt volume. There currently remain 199 debtors with credits outstanding of B93,403 million in the restructuring process.

## **3. Measures for Debt Restructuring in 2002**

In addition to the government's extension of debt-restructuring benefits, the BOT also made some of the following regulatory modifications. The details are as follows:

### 3.1 Extension of Benefits to Support Debt Restructuring

The Revenue Department extended the exemption period for income tax, value-added tax, specific business tax and stamp duties and the Land Department also extended the reduction of the registration fee of real-estate and buildings to 0.01 percent for cases that were restructured in compliance with the BOT guidelines until the end of 2003.

The BOT modified its guidelines that concern debt restructuring and supervision of financial institutions in order to create a more uniformed debt restructuring effort throughout the financial system. For example, commercial banks are now allowed to hold more than 10 percent of the shares of a debtor's company until the 31 December 2003. Commercial banks are also allowed to sell real-estate that have been transferred into their possession between 1 January 1997 to 31 December 2003 that they have not in possession for five years, or have been in possession for five years but can be sold for more than the minimum requirement. Commercial banks are also allowed to conduct rent and leasing activities involved in debt restructuring up until 31 December 2003.

### 3.2 The New definition of NPL

In the second half of 2002, the BOT's definition of NPL was revised to reflect international standard which disallows the practice of write-off from the NPL figures the portion of uncollateralised loan for which full provisioning has been made. Thus the current definition includes the entire amount of loans which are classified as substandard, doubtful, doubtful of loss, and loss. The criteria for classification are based on both aging and quality considerations as specified in BOT's Notification Regarding Worthless or Irrecoverable Assets and Doubtful Assets that may be Worthless or Irrecoverable dated 18 February 2002.

Under the new definition, NPLs of commercial banks and finance companies as of 30 June 2002 stand at B843,313 million or 17.73 percent of total credit outstanding in the financial system. The amounts of NPLs under the various stages of debt restructuring are as follows:

- (1) NPLs that have been restructured and are in the three-month process of repaying creditors. B157,055 million
- (2) NPLs that are in or will be moved into the negotiation process B300,030 million
- (3) NPLs that have gone through unsuccessful debt negotiation and are now in the court process B161,939 million
- (4) NPLs that have gone through the court process and are now awaiting legal execution proceedings B224,289 million

#### **4. Guidelines for Cooperative Workout between the BOT, Commercial Banks and Finance Companies**

In a joint meeting between the BOT and the top executives of the 13 Thai commercial banks on 27 November 2002, the following points have been established to expedite the resolution of NPLs:

4.1 Debtors that have already signed the debt restructuring agreement or are in the process of signing the agreement are to be re-classified as a performing loan. Financial institutions are committed to expedite the re-classification of these debtors as performing loans within four months.

4.2 For debtors undergoing restructuring, financial institutions are committed to expediting the debt restructuring process to be completed within one year. New NPLs and re-entry NPLs, are also to be resolved within one year of entering into NPL status.

4.3 For debtors in the court process and debtors that have received a Notice from creditors, financial institutions may submit the list of cases for which they would like the BOT's Corporate Debt Restructuring Group (CDG) to serve as mediator/facilitator. The BOT will facilitate for up to three times in order to expedite the debt restructuring process outside of court.

4.4 For debtors in the legal execution process, the Legal Execution Department is currently amending civil laws pertaining to the legal execution process in order to expedite the process.

#### **5. CDG's Strategies and Action Plan for Resolving NPL in 2003**

The CDG's strategies for facilitating debt restructuring in 2003 will expedite the debt restructuring cases continuing from the previous year and the CDG will work with financial institutions in accordance with the CDRAC resolutions of 19 December 2002, which are:

##### **5.1 Policy and Strategy**

##### **Group 1: Restructured debtors that are in the three-month process of repaying creditors**

Financial institutions are to monitor this group of debtors that will have to reclassify as normal within four months and report to CDG on a monthly basis. The CDG will provide a list of new debtors in this group to financial institutions on a quarterly basis and financial institutions are to reclassify them as normal within four months.

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

Monitor this group of debtor for which financial institutions will have to

complete debt restructuring within one year, starting from 27 November 2002, and provide a monthly report to the CDG. The CDG will inform financial institutions of new NPLs, re-entry NPLs and walk-in cases in this group and allow financial institutions to restructure these debts. If financial institutions fail to complete debt restructuring for this group within one year, the CDG will report to the CDRAC.

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

The BOT will serve up to three times per debtor as the facilitator between financial institutions and debtors in this group that have been proposed as target debtors. If this does not succeed, financial institutions are to proceed to with legal action to the fullest extent of the law. CDG will be responsible for debtors in Bangkok and the Central Region while the BOT regional offices will be responsible for the Northern, Northeastern and Southern Regions.

### **Group 4: Debtors under legal execution proceedings**

Monitor this group and report progress to the BOT Governor on a quarterly basis. Follow up on the legal amendments that will further expedite the legal execution process.

## **5.2 NPL Reduction Targets**

Following the above strategies, it is expected that NPL levels will be below 10 percent of total credits outstanding by the end of 2004.

## **5.3 Coordination with the Courts**

Throughout 2002, there have been numerous meetings with the Dispute Resolution Office and the Courts about expediting the restructuring of NPLs in the court process.

## **5.4 Coordination with the SME & People Financial Advisory Center (SFAC)**

The Director of CDG has supported the work of SFAC by representing the BOT on the Policy Board and Executive Board of SFAC. The CDG Director also serves as a Member of the Ministry of Finance's Joint-Committee for the Resolution of Viable NPL.

## **5.5 The Organizational Restructuring of CDG in support of 2003 Strategies**

The CDG will expand its operations and workforce in line with the added strategic responsibilities and tasks as commissioned by the CDRAC and BOT.

## Legal Development

The BOT was involved in the promulgation of 7 banking and financial laws in 2002 as follows:

### 1. The Emergency Decree empowering the Ministry of Finance to borrow money and manage the borrowed money for the Financial Institutions Development Fund Phase 2, B.E. 2545

**Rationale:** Thai economy had suffered a severe downturn, which contributed to the effect on the level of confidence in the financial institutions and financial system of the country. The government undertook several measures to rectify the situation and to maintain the stability of the financial institution system, such as the liquidity support programme, the guarantee and assistance to depositors and creditors of financial institutions, the assumption of debt obligations from financial institutions, the programme for financial institutions to increase capital, the programmes on the management of low quality loans or non-performing loans of financial institutions, etc. Financial Institutions Development Fund was the entity responsible for the execution and the providing of financial support of the mentioned programmes. As a result, the Fund suffered losses. The Emergency Decree (enacted in B.E. 2541) empowered the Ministry of Finance to borrow B500 billion and manage the borrowed money on behalf of the Financial Institutions Development Fund. The aim was to alleviate the damages and refinance the source of funds for the Financial Institutions Development Fund. The Ministry of Finance was the guarantor of the bonds issued by the Financial Institutions Development Fund in accordance with the cabinet resolution dated 31 October B.E. 2543. Although the government accepted the interest liabilities at the amount of B112 billion, it did not cover the total damage incurred. It is therefore deemed expedient that the Ministry of Finance has to execute a second phase of borrowing and managing of borrowed money for the Financial Institutions Development Fund. The obligation of the Ministry of Finance is the interest payment and the obligation of the BOT is the principal repayment.

(Published in the Government Gazette, Vol. 119, Part 60 a, dated 25 June B.E. 2545)

### 2. The Emergency Decree on the Partial Transfer of Assets from the Special Reserve Account as referred to in the Law on Currency, B.E. 2545

**Rationale:** Due to the recent adoption of the new system of foreign exchange in B.E. 2540, the BOT as a responsible entity for the operations of the monetary policy and the maintenance of the values of the baht suffered from operational losses and accumulated losses. Such losses attributed to the inefficiency of the monetary policy operations. It is therefore deemed expedient that parts of the assets from the Special Reserve Account as referred to in the Law on Currency are to be transferred to the BOT at the amount of B165 billion. Such amount of



the transfer will cover accumulated losses and elevate the level of confidence in the BOT and consequently the economic and monetary stability of the country.

(Published in the Government Gazette, Vol.119, Part 60 a, dated 25 June B.E. 2545)

### **3. The Emergency Decree amending the Currency Act B.E. 2501 (No.2), B.E. 2545**

**Rationale:** First, an “Account for Amortization of the Principal to Fiscalize the FIDF Losses” has been opened for the repayment of the principal which has been borrowed to alleviate the damages suffered by the Financial Institutions Development Fund in accordance with the Emergency Decree empowering the Ministry of Finance to borrow and manage the borrowed money for the Financial Institutions Development Fund Phase 2, B.E. 2545. It is prescribed in the Emergency Decree that whatever remains in the Annual Yields Account will be transferred to such account. Secondly, the donation received in the Annual Yields Account should be transferred to the Special Reserve Account in order to ensure good keeping of such funds in accordance with the intention and objective of the donors. Lastly, the amendment aimed at resolving the crisis efficiently. Therefore, the law is amended, so that the assets in the Special Reserve Account could be transferred into the Currency Reserve Account.

(Published in the Government Gazette, Vol. 119, Part 60 a, dated 25 June B.E. 2545)

### **4. Islamic Bank of Thailand Act B.E. 2545**

**Rationale:** It is considered that the aims and operations of the conventional banking business involve the payment of interests, which are in contrary to the principles of the Religion of Islam. It is therefore deemed expedient to constitute an Islamic bank called the “Islamic Bank of Thailand”. Its aims and operations are to undertake financial businesses and other businesses which are in compliance with the principles of the Religion of Islam and which encourage and promote domestic and foreign savings and investment in order to sustain Thai economic growth.

(Published in the Government Gazette, Vol. 119, Part 108 a, dated 21 October B.E. 2545)

### **5. Notification of the Ministry of Finance Re: Business undertakings which require approvals in accordance with Article 5 of the Announcement No. 58 of the National Executive Council, dated 11 November B.E. 2545**

**Rationale:** Currently, several juristic entities, which are not authorized financial institutions, undertake the business of issuing credit cards in lieu of the usage of money. The usage of credit cards is also increasingly popular in the public. However, there are incidences that they have been taking advantage of the public in such matters as charging exorbitant and overlapping fees, high interest

rate for late payment or default and exaggerating advertisement of services. It is therefore deemed expedient to assign an agency to regulate the credit card business. For the optimal benefit of the public, such business therefore should be announced as one similar to banking business and subject to due authorization.

(Published in the Government Gazette, Vol. 119, Part 109 d Special Issue, dated 11 November B.E. 2545)

#### **6. The Act on the Undertaking of Credit Information Business Act B.E. 2545**

**Rationale:** The creditability as regards personal financial status and credit history of an individual is difficult to attain due to the lack of central database system. During the crisis, the extension of credits without complete credit information led to the increase of non-performing loans, which, in turn, affected the overall stability of the financial institutions system. Furthermore, inadequate information has caused the stringency in granting of credits, which led to liquidity crunch within the commercial and industrial sectors. For these reasons, it is therefore deemed expedient that the system of credit information is created in order to facilitate financial institutions in assessing credit information for the purpose of credit extension. Its aim is also to rectify economic condition.

(Published in the Government Gazette, Vol. 119, Part 114 a, dated 13 November B.E. 2545)

#### **7. The Small and Medium Enterprise Bank of Thailand Act B.E. 2545**

**Rationale:** The prosperity of the small and medium enterprises will lead to sustainable development of the Thai economy for it increases employment, and elevates level of incomes and productivity. It is therefore deemed expedient to constitute a bank called the “Small and Medium Enterprise Bank of Thailand” in order to provide support to various small and medium enterprises in Thailand systematically in terms of financial, technical, marketing and management services.

(Published in the Government Gazette, Vol.119, Part 123 a, dated 19 December B.E. 2545)

## **Information Technology Development**

The BOT undertook a study to outline the “Best Practice” IT strategies, which was completed at the end of 2001. Subsequent implementation of these strategies resulted in organizational restructuring of the Information Technology Group in mid 2002. At the same time, various key IT processes were redesigned and put into practice, for example, IT services, system development processes, etc.

In order to ensure that IT related projects are effectively aligned with the BOT’s strategic objectives and are efficiently managed, a program management

methodology has been introduced. Under this scheme, each IT related initiative will be put to a business case evaluation, and only then proper prioritization will be assigned accordingly. High priority projects will be grouped into various strategic programs. Each strategic program comprises of interrelated projects linked by the same business capabilities and business objectives and is supervised and guided by Computer Steering Sub-Committee who reports directly to the Computer Steering Committee.

The BOT, in 2002, operated 7 strategic programs covering 25 projects. The overall budget for all IT related projects in 2002 amounted to B922.8 million. Seven projects were completed while longer termed projects have been carried over to the following year. A brief outline of each strategic program and its highlighted projects are summarized below:

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

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

The most significant project in this program is the Data Management System (DMS), which aims to serve as the single point to acquire, store, and disseminate information mainly to support supervision and policy formulation activities. Operation of this system is expected to be mid 2003.

A completed project in this group is the Enterprise Knowledge Portal Strategy, which covers strategic plans for the development of other systems such as the Knowledge Management System.

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

This program focuses on developing the Dealing Room System (DRS) that supports the operations of the front, middle and back-offices in a full "straight through processing" manner and to enhance overall risk management and benchmarking capabilities. The primary development is the management of international reserves expected to be operational in February 2003. The secondary development phase covering the local open market operation is expected to be operational in mid 2003.

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

This program aims to establish national payment and cash management strategies, and to develop an appropriate payment and cash management

infrastructure to support the BOT as a service provider, regulator and facilitator of the payment industry.

The core project in this program is the “Improving Efficiency of Cheque Clearing System” that aims to improve the efficiency of cheque clearing in the Bangkok Metropolitan area and upcountry by reducing the cheque travelling time (cheque truncation) and speeding up the clearing houses’ collection time across districts from 6 to 3 working days. This project started in January 2002 and scheduled to be operational in February 2003. Furthermore the BOT has been in close consultation with the member banks concerning the use of imaging technology for Cheque Truncation in the near future.

Other completed projects were the “Provincial Fund Transfer System” and the “Cash Management Strategy” that would provide guidelines for the modernization of our overall banknote management and distribution.

#### **Program 4: Financial Excellence**

The Financial Excellence Program aims to improve the efficiency of the BOT’s financial and administrative operations by implementing integrated enterprise resource planning (ERP) software packages.

The current projects will modernize day-to-day processes in various departments including the Note Printing Works covering accounting, budgeting, inventory, procurement, cost control and banknote production planning.

The projects started in January 2002 and the systems are scheduled to be in operation in July 2003 with the banknote production planning in September 2003.

#### **Program 5: Human Resource Excellence**

This program will enable both the performance of the Human Resource Management Group and the performance of all BOT personnel by delivering an integrated computer and information system, enhancing the BOT’s learning environment, and providing an integrated and continuous learning approach.

The main project under this program is the redesigning of the BOT’s Human Resource Information System (HRIS) covering organization management, employee records, salary and compensation, etc. This project employs software package from the same provider as the ERP projects in Program 4 above to ensure the ease of integration.

The HRIS project started in July 2002 and is scheduled to be completed in April 2003.

#### **Program 6: IT Transformation**

The IT Transformation Program carries on projects to establish additional

IT best practices notably in quality and risk management areas. The projects are expected to be completed in mid 2003.

### **Program 7: Performance Support Excellence**

This program promotes internal usage of information technology to improve efficiency and enhance overall performance of the BOT staff.

The “Corporate Portal Infrastructure” that has just been completed will provide a uniform access point for the BOT employees to work, search, access and share various types of information and therefore is an important stepping stone for other knowledge management development projects to be introduced in Program 1. Furthermore, it will also serve as interface for employees to access various systems in the Program 4 and 5 above such as employee record, leave application, e-Learning, etc.

## **Bank of Thailand Regional Offices**

### **A. Southern Region Office**

As a central bank in the southern part of Thailand, Southern Region Office undertakes four key functions, as follows: (1) cash management, (2) banking business facility, (3) financial institutions examination and supervision, and (4) economic research.

#### **Functional performances in 2002 are summarized as follows:**

#### **1. Cash management: Cash deposit and cash withdrawal increased from the previous year, while banknote sorting decreased.**

In 2002, cash deposit and cash withdrawal totalled B89,090.3 million and B105,703 million, increased from the previous year by 6.2 and 9.9 percent, respectively. While banknote sorting decreased by 1.2 percent to 242 million banknotes, with the ratio of good banknotes to total banknotes of 48.0 percent which increased from 38.0 percent in the year earlier.

Distribution of knowledge about banknotes to public and responsible officers was continually held during the year by many channels such as exhibition, lectures and distributing related document.

#### **2. Banking business facility: Current accounts activities decreased from last year.**

##### **2.1 Funds deposit and funds withdrawal**

At Southern Region Office, funds deposited to current accounts by commercial banks, provincial treasuries, government agencies, and others, amounted

to B703,571.2 million, decreased from last year by 26.2 percent, while funds withdrew from the current accounts lowered at the same rate and totalled B703,331.7 million. At the BOT's provincial representatives, commercial banks deposited and withdrew funds of B403,344 million and B403,255.1 million, respectively, increased from the previous year by the same rate of 11.5 percent. As for the BOT's accounts at provincial treasuries, funds deposit and funds withdrawal were B219,221.5 million and B218,770.5 million, increased from the previous year by 13.9 and 13.6 percent, respectively.

## **2.2 Funds transfer**

Between the Head Office and Southern Region Office/BOT provincial representatives, funds transfer netted B44,438.7 million, as a result of B126,523.8 million transferred from the Head Office to Southern Region Office/BOT provincial representatives, increased by 74.4 percent and B82,085.1 million transferred vice versa, increased by 7.8 percent from last year.

## **2.3 Cheque clearing**

In 2002, volume and value of provincial cheques processed by clearinghouses in Southern region were 5.2 million issues and B456,255.6 million, increased from the previous year by 6.1 and 10.3 percent, respectively. While ratio of returned cheques to processed cheques dropped to 2.0 percent from 2.1 percent by volume and to 1.1 percent from 1.3 percent by value.

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

In 2002, Southern Region Office provided credit lines of B24,807.7 million, via financial institutions, decreased from the previous year by 81.2 percent according to the lower amount of credit for EXIM bank which decreased from B129,671.2 million last year to only B22,588.2 million in 2002.

## **3. Financial institutions examination and supervision : 31 financial institutions offices were examined.**

In 2002, 26 commercial bank offices and 5 specialized financial institutions offices were examined while the amount of corporate debt restructuring at the end of the year 2002 amounted to B127,452 million. Of this, B123,458 million was completely restructured and B3,994 million remained under the restructuring process.

## **4. Economic research : Southern economic performance, recent economic issues, as well as roles of the BOT were publicized on a continual basis via seminars, quarterly press conference and monthly release, lectures / presentations, and BOT website.**

In 2002, the Southern Region Office held two main seminars. The first one was held at Phuket province with the topic "Thai Economy in 2002: Does it

really recover? ”, and the second was held at Hat Yai, Songkhla province with the topic “Government policy: the impact on local economy.” Each seminar drew over 400 participants from southern private and public sectors. Moreover, there were some economic seminars among the BOT, government officers, prominent entrepreneurs, and academics under the titles of Relationship between Fiscal policy, Monetary policy, and Exchange rate policy with Economic problems, How to look over the Economic Situation? and Monetary Policy : Inflation Targeting. In addition, press conference was held quarterly and press release was held monthly to update southern economic conditions to the public, while lectures and presentations were arranged to inform the roles and functions of the BOT and economic related issues.

## **B. Northeastern Region Office**

In 2002 the Northeastern Region Office had completed its mission as follows:

### **1. Currency Division**

This year the Office received B126,695.9 million of exchanged money, and paid B102,509.2 million of exchanged money, decreased by 3.3 and 2.2 percent, respectively. The banknote most circulated was the B20 note, second was the B100 note and last was the B1000 note. An amount of 271.3 million damaged banknotes was destroyed, decreased by 11.2 percent, while there was an exchange of 78,122 ruined banknotes, a 22.4 percent decrease. Counterfeit notes totalled 5,185, increased from last year by 1,412 notes. The most counterfeited note was the B500 note, second was the B1000 note and the B100 note, respectively. In addition, there was an exchange of the commemorative 100-baht banknote on the centenary of Thai banknote for the public. There was also an exhibition about ruined and counterfeit banknotes.

### **2. Banking Division**

Provincial Fund Transfer System was set up in 14 offices. For financial assistance, the Office purchased promissory notes with a value of B4,263.3 million, a decrease of 15.0 percent, which mostly were for SME and agricultural products. There were visits to 14 cases that received financial assistance from the Office, and there were 6 meetings concerning financial assistance. For the selling of the government bond, altogether were 7,631 cases, valued B13,751.99 million. Deposit accounts that banks opened at the Northeastern Region Office at the end of December 2002 totalled 250 accounts, valued B1,635.6 million, increased by 121.9 percent. The total amount of deposit of the BOT at the provincial financial department was B2,257.1 million, an increase of 96.3 percent.

The numbers of the Clearing Office members were 859 offices, and through these offices, there were 4,462,000 cheques cleared, with value of B392,465.8 million, 7.9 and 14.5 percent increase, respectively.

### **3. Financial Institution Supervision Division**

In 2002 the following tasks were carried out as follows:

- (1) Examined 27 offices.
- (2) Co-operated in checking the payment of Yield Maintenance of 8 AMC / TAMC / head offices or branches commercial banks in the central region.
- (3) Surveyed business and investigated audit trail of credit foncier company's debtors, concerning their provision of credit that might cause damage to the financial system.
- (4) Observed the merging of Bangkok Metropolitan Bank and Siam City Bank.

For debt restructuring, the Office had accelerated debt restructuring of 887 cases, with a value of B27,081 million. Accounting for 39.4 percent of the 2,685 targeted debtors, of which the total debt was B68,675 million. Debt problem solved by other methods totalled 1,625 cases, with a value of B38,813 million or 56.5 percent. There were 173 cases of debt remained to be restructured, totalled B2,781 million or 4.1 percent of the targeted debtors.

Another important work was to co-ordinate with the financial institutions concerning work performance of their branches, which the public had filed 25 complaints.

### **4. Economic Research Division**

The Office carried out survey, information collection and analysis for the report on the economic and financial situation of the Northeastern region that are issued monthly, quarterly and yearly. The Office also participated in the macro-economic conference at the Head Office.

The Office conducted field surveys as requested by the Head Office on topics as the situation of exporting industry in the Northeastern region and personal loan, etc. The Office also conducted four researches in 2002.

For the Country Desk project of Laos PDR, Cambodia and Vietnam, which was the new assignment from the Monetary Policy Group, the Office prepared Hot News report for executive via the BOTmail, wrote an economic and financial situation report, participated in the joint commission conference on the issue of Thai-Laos PDR co-operation in Vientiane and the project on the route and economic situation survey, as well as visited the central banks of the three countries.

Besides, the Office arranged an academic seminar on the occasion of the 34th anniversary of the Northeastern Office, press conference and thanks the media, and an academic trip project, etc.



## **C. Northern Region Office**

As a central bank in northern Thailand, Northern Region Office undertakes four key functions, as follows: (1) cash management, (2) banking business facility, (3) financial institutions supervision, and (4) economic research. Functional performances in 2002 are summarized as follows:

### **1. Cash management: Cash deposit, cash withdrawal, and banknote sorting increased from the previous year.**

In 2002, cash deposit and cash withdrawal totalled B86,777.9 million and B73,601.2 million, increased from the previous year by 19.0 and 28.4 percent, respectively. Banknote sorting grew by 12.2 percent to B236.7 million, with the ratio of good banknotes to total banknotes of 41.9 percent. Counterfeit banknotes, with face value of B500, B1000, and B100, increased in terms of both volume and value.

### **2. Banking business facility: Most activities improved over 2002.**

#### **2.1 Funds deposit and funds withdrawal**

In light of improving economic conditions in 2002, personal consumption increased and led to active funds deposit and funds withdrawal at Northern Region Office. Funds deposited to current accounts by commercial banks, provincial treasuries, government agencies, and others, increased from the previous year by 12.1 percent to B688,315.7 million, while funds withdrew from the current accounts grew at the same rate and totalled B688,007.5 million. At BOT's provincial representatives, commercial banks deposited and withdrew funds of B512,453.1 million and B512,329.1 million, respectively, increased from last year by the same rate of 14.1 percent. As for BOT's accounts at provincial treasuries, funds deposit and funds withdrawal were B278,073.5 million and B277,910 million, increased from the year earlier by 12.2 and 12.6 percent, respectively.

#### **2.2 Funds transfer**

Between the Head Office and Northern Region Office/BOT provincial representatives, funds transferred from the Head Office to Northern Region Office/BOT representatives was greater than funds transferred in contrary direction by B19,647.7 million, whereas last year's funds transferred from Northern Region Office/BOT representatives to the Head Office was greater than funds transferred vice versa by B31,190.3 million, due to the change in commercial bank's funds transfer channel from BAHTNET to Provincial Fund Transfer System, beginning on 16 September 2002.

Within northern region, funds transferred from BOT provincial representatives to Northern Region Office was over funds transferred vice versa by B116,918 million, increased from the previous year by 1.4 percent.

Funds transferred from Lampang Branch to Northern Region Office at Chiang Mai exceeded funds transferred in contrary direction by B4,459.9 million, decreased from the previous year by 27.6 percent.

### **2.3 Cheque clearing**

Volume and value of provincial cheques processed by clearinghouses in northern region were 4.6 million issues and B331,084.2 million, increased from the previous year by 5.1 and 13.2 percent, respectively. Volume and value of returned cheques decreased from last year by 0.3 and 2.0 percent to 82,228 issues and B4,095 million, respectively, and ratio of returned cheques to processed cheques dropped to 1.8 percent by volume and to 1.2 percent by value.

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

Financial assistance credit lines of B140.7 million were provided, via financial institutions, to 58 businesses in the north.

### **2.5 Foreign exchange monitoring**

Foreign currencies sold and purchased by 25 authorized moneychangers increased by more than two folds from the previous year to US\$8.1 million as northern tourism activity improved.

### **2.6 Government bonds agent**

Sums of B16,865.4 million Government Saving Bonds were sold to 9,406 bondholders.

## **3. Financial institutions examination and supervision : Financial monitoring and corporate debt restructuring were carried out concurrently.**

Fifty-four commercial bank offices and 11 specialized financial institutions were examined in 2002 while the amount of corporate debt restructuring at end-December 2002 amounted to B38,654 million. Of this, B19,314 million was completely restructured and B1,300 million remained under the restructuring process.

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

In 2002, the Economic Research Division monitored and analysed economic conditions of northern region and key regional economic issues on a continual basis to feed into Monetary Policy Group's monthly macroeconomic meetings and to disseminate to northern public. In addition, critical field surveys and reports were undertaken in response to BOT's urgent needs, especially in the areas of monetary

policy and financial institution policy. As for promoting economic knowledge to public mass, two main seminars were held at Northern Region Office. The first was a seminar regarding the opportunity to invest and trade in southern China, which drew over 400 participants from northern private and public sectors. The second was an economic seminar among BOT, prominent entrepreneurs, and academics aiming to provide a stage for swapping ideas, exchanging information, and sharing knowledge among participants.

## **Strategic Capabilities**

### **A. Strategic Services Group Performance**

Strategic Services Group (SSG) has major role in the BOT's strategic direction planning process. SSG arranged a workshop for the Top Management Committee in order to develop the BOT's Vision and Strategic Objectives for the next 5 years (2003-2007). Also, SSG cooperated with all groups in planning and monitoring processes to ensure that the operations were well aligned with the BOT Strategic Direction.

SSG has been responsible for the BOT's budget management and evaluation as well. SSG had improved the budget planning and controlling process to promote better control and efficiency. SSG was restructured in order to streamline the work process and its operations.

SSG's performance can be summarized in 3 areas as follow:

#### **1. Planning**

SSG improved planning process of all groups. The main goal was to encourage all level of staff to contribute ideas in planning process and make sure that all the plans follow the strategic direction of the BOT. SSG has revised reporting systems which make project progression and performance management more accurate and easier to be reported and monitored by the management.

#### **2. Budgeting**

The concept of Zero-based Budgeting was introduced in order to address and support comprehensive planning, allocate the appropriate level of resources and budget within the BOT. To improve the efficiency, SSG developed new EXCEL-based program to serve budget management process. With the new program, all the reports can be generated faster and on time. SSG also changed work process and work responsibility in the budgeting section by cutting down some job processes. All those preparations were made in order to get ready for the new SAP program according to the ERP project which emphasized on improving accounting, budgeting and procurement procedures. SSG also revised and amended related budgeting rules and regulations to be more flexible and up to date.

### **3. Cost Management**

SSG proposed an idea of using cost management system which will be completed in 2003 aiming to align with the ERP project (ERP will also be implemented in 2003). The new cost management system will use SAP to help gathering all cost incur within each groups and projects. All these information can be used as an efficient tool for BOT management to make accurate decision, thus, achieving highest benefit.

## **B. Financial Risk Management**

### **1. Risk Management of International Reserve Management**

#### **1.1 Revision of portfolio benchmark**

The BOT is responsible for managing international reserves for the achievement of primary objectives. The international reserves are divided mainly into three major portfolios, where each portfolio is established so that actual portfolio management is aligned with its strategic objectives :

- (1) Liquidity portfolio
- (2) Liability Matching portfolio
- (3) Investment portfolio

The benchmark is an allocation of assets and foreign currencies that generates the expected return and risk that is consistent with the strategic objective, and is typically used as a tool in managing the risk of each portfolio. Actual allocation may not deviate much from benchmark allocation to ensure achievement of such objectives.

Significant changes concerning benchmarks that have occurred in 2002 are as follows:

- (1) Liability portfolio

The probability of actual portfolio expected returns in under-performing liability costs has tremendously increased over the past three years due to the trend of downward shifts in the yield curve of foreign markets in which the BOT has assets invested in. This has prompted the BOT to revise the objective of the benchmark, which formerly was constructed to generate expected returns in order to match costs into the objective of minimizing tracking error. This in effect has minimized interest rate risk exposure.

- (2) Investment portfolio

The BOT has altered its investment policy from using a numeraire currency based on the US dollar to one based on the SDR. The Monetary Policy

Committee on 21 October 2002 approved the SDR currency to be the unit of currency used for measuring the performance and risk of international reserve management, due to the fact that SDR currency being a widely recognized currency with its currency composition capable of diversifying risk. As a consequence, the asset and currency allocation mix has significantly changed.

### **1.2 Revision of Credit Risk Management Framework**

The BOT has revised its framework in measuring and limiting credit risk arising from financial transactions as follows:

(1) The previous framework used for credit risk assessment based on limits on the principle amount has been replaced by deposit equivalent exposures, whereby the level of risk is reflected more accurately. The new system also permits aggregation of credit risk arising from transactions such as time deposits, foreign exchange transaction, gold deposits, and repurchase agreements of the same counterparty.

(2) The framework based on sovereign risk limits has been introduced to manage credit risk arising from investments in foreign securities issued by sovereign governments in foreign markets. Implementation is carried out by limiting the percentage of international reserves market value that could be invested in instruments issued by a single sovereign nation, where this amount is determined by the sovereign nation's current credit-rating.

### **1.3 Purchase of Risk Management System**

The BOT has purchased a market risk management system that allows market risk to be measured real-time in the form of absolute and relative Value-at-Risk measures. The risk management system permits sensitivity analyses and simulations to be conducted which ultimately improves efficiency in the measurement, monitoring, and management of risk.

## **2. Risk Assessment of Monetary and FX Operations**

The BOT has continuously assessed risk associated with monetary and FX operations. The risk assessment is done in two aspects as follows:

2.1 The BOT assesses financial risk arising from monetary and FX operations in the form of market Value-at-Risk measures. The BOT monitors these operations to evaluate the impact on the stability of international reserves.

2.2 The BOT furthermore evaluates the impact on the financial markets of both monetary and FX operations.

**THE REPORT FROM THE CHAIRMAN OF THE  
AUDIT COMMITTEE**



## The report from the Chairman of the Audit Committee

The Audit Committee of the Bank of Thailand comprises 3 directors, namely, The Chairman, Mr. Kiatisak Jelatianranat and 2 other members, Professor Dr. Borwornsak Uwanno and Miss Chusri Daengprapai, with Mrs. Thanya Suraswadi, Senior Director of Management Assistance Group as the Secretary of the Committee.

The Committee has consistently adhered to the execution frameworks on spirit as stipulated in its Charter. During the past year, the Committee convened four meetings under normal sessions.

The Committee has performed an oversight on the four fundamental frameworks, namely, Good Corporate Governance, Enterprise Risk Management, Control Self Assessment and Risk-Based Internal Audit. The Committee's objective is to ensure that the frameworks are properly established and adequate for the Bank of Thailand's operations. This is to achieve the objectives of the top management with respect to effectiveness, efficiency, stability, and credibility from domestic and international communities.

The momentum to gear the operations toward the direction of the four fundamental frameworks will yield full results in the next 1-3 years in the following order : Good Corporate Governance, Enterprise Risk Management, Risk-Based Internal Audit, and Control Self Assessment.

In reviewing independence aspect of external auditors and internal auditors, the Committee is of the opinion that both groups of auditors are fully independent in performing their duties in accordance with their professional standard and code of conduct at the full potential.

A handwritten signature in black ink, appearing to read 'Kiatisak'.

(Mr. Kiatisak Jelatianranat)  
Chairman, Audit Committee  
27<sup>th</sup> February 2003

**REPORT OF THE AUDITORS  
AND  
FINANCIAL STATEMENTS  
FOR THE YEARS 2002 AND 2001**





## Report of the Auditors

### To the Minister of Finance

We have audited the Balance Sheet as of December 31, 2002 and 2001, the Profit and Loss Account and the Statement of Cash Flows 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 the Bank of Thailand's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position as of December 31, 2002 and 2001, the results of operations and the cash flows for each year then ended of the Bank of Thailand (excluding the Issue Department), in accordance with generally accepted accounting principles.

(signed) Yuvadee Phetcharakupt  
(Ms. Yuvadee Phetcharakupt)  
Director of Audit Office No.10

(signed) Pongchan Laosutiwong  
(Ms. Pongchan Laosutiwong)  
Auditor In-charge

*Office of the Auditor General*  
March 6, 2003

**Bank of Thailand  
Balance Sheet  
As of December 31, 2002 and 2001**

<b>ASSETS</b>	Notes	<b>2002 Baht</b>	<b>2001 Baht</b>
Cash and Deposits			
Cash		10,276,859,167.91	4,762,286,473.58
Balance at the Treasury		11,679,791,864.86	9,157,592,348.98
Deposits at banks abroad		89,770,471,300.61	80,189,486,613.08
		<u>111,727,122,333.38</u>	<u>94,109,365,435.64</u>
Holdings of Special Drawing Rights	3	181,098,478.00	232,469,582.12
Investments	4		
Domestic Securities		130,226,957,350.95	106,788,979,017.52
Foreign Securities		285,906,398,952.61	247,277,728,645.87
		<u>416,133,356,303.56</u>	<u>354,066,707,663.39</u>
Securities purchased under resale agreements	5	148,533,000,000.00	290,760,000,000.00
Loans and Promissory Notes			
Loans	6	56,478,000.00	2,821,767,733.41
Promissory Notes	7	7,676,984,400.00	11,462,024,900.00
		<u>7,733,462,400.00</u>	<u>14,283,792,633.41</u>
Property, Plant and Equipment, net	8	3,853,995,148.43	4,003,549,493.32
Other Assets	9	88,226,348,502.19	86,838,671,739.85
Total Assets		<u>776,388,383,165.56</u>	<u>844,294,556,547.73</u>

The accompanying notes form part of these financial statements.

**Bank of Thailand  
Balance Sheet  
As of December 31, 2002 and 2001**

	Notes	2002 Baht	2001 Baht
<b>LIABILITIES AND CAPITAL</b>			
Deposits			
Government		65,187,877,794.43	26,563,419,234.83
Banks		54,289,041,519.37	49,989,433,538.92
Others	10	205,364,795,582.49	423,448,395,992.51
		<u>324,841,714,896.29</u>	<u>500,001,248,766.26</u>
Allocations of Special Drawing Rights	11	4,958,240,262.36	4,700,930,167.99
Securities sold under repurchase agreements	5	193,995,000,000.00	220,541,000,000.00
Other Liabilities	12	212,747,622,831.32	256,099,370,738.28
Total Liabilities		<u>736,542,577,989.97</u>	<u>981,342,549,672.53</u>
Capital			
Initial Capital		20,000,000.00	20,000,000.00
Retained Earnings	13	27,307,931,127.67	(129,061,692,851.19)
Reserve for Stabilization of Profit payable to the Government		624,075,747.53	624,075,747.53
Profit and Loss for the year		11,893,798,300.39	(8,630,376,021.14)
Total Capital		<u>39,845,805,175.59</u>	<u>(137,047,993,124.80)</u>
Total Liabilities and Capital		<u>776,388,383,165.56</u>	<u>844,294,556,547.73</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 Services

(signed) Charinya Kaewmanee  
(Ms. Charinya Kaewmanee)  
Director, Accounting Group

**Bank of Thailand**  
**Profit and Loss Account**  
**For the year ended December 31, 2002 and 2001**

	Notes	2002 Baht	2001 Baht
<b>Revenues</b>			
Interest		23,045,048,831.38	20,258,334,613.79
Discount		363,028,720.94	404,874,289.91
Commission		286,274,154.62	196,657,776.63
Others	14	269,435,004.03	9,513,488,584.38
Total Revenues		<u>23,963,786,710.97</u>	<u>30,373,355,264.71</u>
<b>Expenses</b>			
Salaries, wages and remunerations		2,275,008,610.83	2,052,317,605.38
Other expenses	15	9,463,018,620.76	19,937,029,522.69
Provision for provident fund and pension fund		331,961,178.99	330,810,075.01
Total Expenses		<u>12,069,988,410.58</u>	<u>22,320,157,203.08</u>
Net Operating Profit		11,893,798,300.39	8,053,198,061.63
Less: Amortization of deferred unrealized loss from foreign exchange under managed float system	16	0.00	16,683,574,082.77
Net Profit (Loss)		<u>11,893,798,300.39</u>	<u>(8,630,376,021.14)</u>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows**  
**For the year ended December 31, 2002 and 2001**

	2002 Baht	2001 Baht
Cash flow from operating activities		
Net Income (Loss)	11,893,798,300.39	(8,630,376,021.14)
Adjustments to reconcile net income (loss) to net cash flow from operating activities:		
Net (Increase) Decrease in accrued revenues	(752,481,102.13)	988,027,853.57
Net Increase (Decrease) in accrued expenses	(1,026,752,529.05)	(5,094,302,264.54)
Amortization of premiums (discounts) on securities	1,517,688,173.95	1,517,672,169.66
Depreciation and amortization expenses	316,860,808.04	210,543,756.99
(Gain) Loss on foreign currency	6,289,225,179.28	(16,000,684,577.15)
Amortization of deferred unrealized loss from foreign exchange under managed float system	0.00	16,683,574,082.77
Profit (Loss) from operation before changing in operating assets/liabilities	18,238,338,830.48	(10,325,544,999.84)
(Increase) Decrease in Operating Assets		
Deposits at banks abroad	7,979,814,447.71	(40,751,406,611.51)
Holdings of Special Drawing Rights	60,769,290.59	3,000,273,278.44
Securities purchased under resale agreements	142,227,000,000.00	139,518,000,000.00
Loans and Promissory Notes	6,550,330,233.41	(1,995,875,800.00)
Investments in Domestic Securities	(23,839,307,132.13)	15,747,959,037.65
Investments in Foreign Securities	(37,146,360,301.73)	(81,059,854,827.47)
Other assets	2,330,042,557.90	(17,622,042,556.13)
Increase (Decrease) in Operating Liabilities		
Deposits	157,462,773,946.69	75,324,556,119.82
Securities sold under repurchase agreements	(26,546,000,000.00)	2,663,000,000.00
BOT Bonds	0.00	(1,618,000,000.00)
Other liabilities	(57,217,496,284.45)	50,382,126,608.53
Net cash flow from operating activities	190,099,905,588.47	133,263,190,249.49

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows**  
**For the year ended December 31, 2002 and 2001**

	2002 Baht	2001 Baht
Cash flow from investing activities		
Net (Increase) Decrease in property, plant and equipment	(77,932,224.35)	(288,523,285.12)
Net cash flow from investing activities	(77,932,224.35)	(288,523,285.12)
Cash flow from financing activities		
Net Increase (Decrease) in Liabilities under IMF Stand-by Arrangement and Current account under Swap Agreement	(157,696,999,400.95)	(136,117,796,787.28)
Net Increase (Decrease) in Loans under IMF Support Package	(8,770,214,100.00)	0.00
Net cash flow from financing activities	(166,467,213,500.95)	(136,117,796,787.28)
Effects of exchange rates changes	91,418,325.73	(26,370,220.04)
Net cash flow from all activities	23,646,178,188.90	(3,169,500,042.95)
Cash as of January 1	14,796,152,592.47	17,965,652,635.42
Cash as of December 31	38,442,330,781.37	14,796,152,592.47
Supplementary information for cash flows		
Cash paid during the year		
Interest expenses	8,143,607,563.64	23,232,550,108.31
Cash and Cash Equivalents		
Cash	10,276,859,167.91	4,762,286,473.58
Balance at the Treasury	11,679,791,864.86	9,157,592,348.98
Deposits at banks abroad (at call)	16,485,679,748.60	876,273,769.91
Total	38,442,330,781.37	14,796,152,592.47

The accompanying notes form part of these financial statements.

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**BANK OF THAILAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001**

**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 premiums or discounts.

**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 not exceeding Baht 10 million are recorded as expenses and registered, and those 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 a 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 including the amendment in B.E. 2543 state that the employees who joined the BOT before December 1, 1996 and are not the members of the "Provident Fund" have the rights to receive pension. In addition, the Bank of Thailand's Rules and Regulations for Pension Fund (Amendment No. 3) B.E. 2545, dated December 25, 2002, effective as from November 1, 2002, have stated the basis of calculation for the employee's benefits. The BOT has maintained 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 state that the BOT and the employees who are the members of Provident Fund have to make contributions to the Provident Fund according to the stipulated conditions. This Provident Fund has already been registered under the Provident Fund Act B.E. 2530.



### 3. Holdings of Special Drawing Rights

As of December 31, 2002, the Holdings of Special Drawing Rights in International Monetary Fund amounted to SDR 3.1 million, an equivalent of Baht 181.1 million.

### 4. Investments

The domestic and foreign securities of Baht 130,227.0 million and Baht 285,906.4 million, respectively, had the market values as of December 31, 2002 of Baht 145,368.7 million and Baht 288,611.5 million, respectively.

### 5. Securities purchased under resale agreements and Securities sold under repurchase agreements

As of December 31, 2002, the securities purchased under resale agreements and the securities sold under repurchase agreements had the outstanding balances of Baht 148,533.0 million and Baht 193,995.0 million, respectively. The net sale position was Baht 45,462.0 million.

### 6. Loans

Loans to the financial institutions are comprised of:

	Unit : Million Baht	
	<u>2002</u>	<u>2001</u>
Financial Assistance to Export Sector	56.5	2,793.5
Others	<u>—</u>	<u>28.3</u>
Total	<u>56.5</u>	<u>2,821.8</u>

### 7. 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>2002</u>	<u>2001</u>
Promissory Notes - Agricultural Sector	1,332.4	1,893.2
Promissory Notes - Export Sector	<u>—</u>	<u>478.5</u>
Promissory Notes - Industrial Sector	92.6	291.4
Promissory Notes - Small and Medium Enterprises (SMEs)	<u>6,252.0</u>	<u>8,798.9</u>
Total	<u>7,677.0</u>	<u>11,462.0</u>

## 8. Property, Plant and Equipment, net

	Unit : Million Baht			
	Balance	Changing in Book Value		Balance
	Jan. 1, 2002	Increase	Decrease	Dec. 31, 2002
Land	2,495.4	–	–	2,495.4
Buildings	1,966.3	35.9	(39.3)	1,962.9
Equipment	575.7	119.1	(169.6)	525.2
Total	5,037.4	155.0	(208.9)	4,983.5
Less: Accumulated depreciation	(1,033.9)	(304.5)	208.9	(1,129.5)
Property, plant and equipment, net	<u>4,003.5</u>	<u>(149.5)</u>	<u>–</u>	<u>3,854.0</u>

The depreciation of buildings and equipment for the year was Baht 304.5 million.

## 9. Other Assets

	Unit : Million Baht	
	2002	2001
Quota Subscribed to IMF	63,369.1	60,080.5
Foreign securities purchased under resale agreements	15,844.3	18,125.4
Investment in other organizations	1,779.3	1,819.9
Staff loans	1,745.9	1,723.7
Others	<u>5,487.7</u>	<u>5,089.2</u>
Total	<u>88,226.3</u>	<u>86,838.7</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, 2002, the outstanding amount was SDR 1,081.9 million, an equivalent of Baht 63,369.1 million.

For the balance paid in Baht, a corresponding liability exists in the form of IMF Current Account (Note 10.1), and Non-Negotiable and Non-Interest Bearing Promissory Notes (Note 12).

### 9.2 Foreign securities purchased under resale agreements

Foreign securities purchased under resale agreements are repo-type transactions between the BOT and international financial institutions and are used to enhance the returns of international reserves under management. As of December 31, 2002, the outstanding balance of securities was Baht 15,844.3 million, equivalent to US\$ 366.4 million.

### 9.3 Investment in other organizations

The BOT acquired 3,000 shares (25% paid) of the Bank for International Settlements (BIS).

## 10. Other Deposits

	Unit : Million Baht	
	<u>2002</u>	<u>2001</u>
IMF Current Account	50,228.6	114,773.8
Current Account under Swap Agreement	33,637.4	136,637.0
Foreign currencies deposits from the Government and state enterprises	3,476.4	3,218.9
Deposits from financial institutions and other organizations	<u>118,022.4</u>	<u>168,818.7</u>
Total	<u>205,364.8</u>	<u>423,448.4</u>

### 10.1 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, 2002, the outstanding liabilities amounted to SDR 287.5 million, an equivalent of Baht 15,757.3 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 12).

### 10.2 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, 2002, was Baht 33,637.4 million, equivalent to US\$ 796.4 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 12).

## 11. Allocations of Special Drawing Rights

International Monetary Fund (IMF) member countries are allocated Special Drawing Rights in proportion to their subscriptions to the IMF. For the year ended 2002, the BOT was allocated the balance of SDR 84.7 million, an equivalent of Baht 4,958.2 million.

## 12. Other Liabilities

	Unit : Million Baht	
	<u>2002</u>	<u>2001</u>
Non-Negotiable and Non-Interest Bearing		
Promissory Notes payable to IMF	24,824.6	24,824.6
Loans under IMF Support Package	160,700.6	158,066.4
Foreign securities sold under repurchase agreements	15,844.6	72,997.7
Valuation Adjustments - IMF Current Account	5,154.3	(5,243.6)
Valuation Adjustments - Current Account		
under Swap Agreement	797.8	(793.8)
Others	<u>5,425.7</u>	<u>6,248.1</u>
Total	<u>212,747.6</u>	<u>256,099.4</u>

### 12.1 Loans under IMF Support Package

As of December 31, 2002, the outstanding balance of loans under IMF Support Package was Baht 160,700.6 million, equivalent to US\$ 3,716.5 million.

### 12.2 Foreign securities sold under repurchase agreements

Foreign securities sold under repurchase agreements are repo-type transactions between the BOT and international financial institutions and are used to enhance the returns of international reserves under management. As of December 31, 2002, the outstanding balance of securities was Baht 15,844.6 million, equivalent to US\$ 366.4 million.

## 13. Retained Earnings

The Emergency Decree on the Partial Transfer of Assets from the Special Reserve Account as referred to in the Law on Currency, B.E. 2545, effective as from June 26, 2002, allows a one-time transfer of Baht 165,000 million from the Special Reserve Account in the Issue Department to the BOT in order to eliminate the accumulated losses and to enhance the stability of the BOT. The transferred amount after deducting the accumulated losses is presented as retained earnings.

## 14. Other Revenues

	Unit : Million Baht	
	<u>2002</u>	<u>2001</u>
Gain on foreign currency	–	6,130.7
Net income from repo transactions	–	2,758.7
Others	<u>269.4</u>	<u>624.1</u>
Total	<u>269.4</u>	<u>9,513.5</u>

## 15. Other Expenses

	Unit : Million Baht	
	<u>2002</u>	<u>2001</u>
Loss on foreign currency	931.2	–
Interest expenses on IMF Support Package	6,813.8	17,959.7
Net interest expenses from repo transactions	134.6	–
Interest expenses on BOT Bonds	–	72.8
Depreciation of buildings and equipment	304.5	210.6
Other operating expenses	<u>1,278.9</u>	<u>1,693.9</u>
Total	<u>9,463.0</u>	<u>19,937.0</u>

## 16. Amortization of 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 the 1997 fiscal period, this unrealized loss had been amortized over 5 years, approximately Baht 16,683.6 million per year. As a result, the 2001 fiscal period was the final year in amortizing this unrealized loss.

## 17. Contingencies

As of December 31, 2002, the BOT has outstanding forward contracts as follows:

17.1 The BOT has net position of outstanding Dollar-Baht forward contracts to sell US\$ 485.0 million which will be due in 2003. By comparing the forward rate to the 2002 year-end rate, the BOT would have a contingent loss of Baht 117.0 million which will be recorded in the profit and loss account when the contracts are due.

17.2 The BOT has net position of outstanding cross currency forward contracts to sell US\$ 64.6 million, Euro 210.4 million, and buy Yen 34,311.0 million in 2003. After applying the 2002 prevailing year-end rate, the BOT would have a contingent gain of Baht 144.3 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, whereby setting out the risk management processes for international reserve management. The MPC employs risk analyses and studies that have been 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 construction of the international reserve benchmark, identification of key risk factors, modeling and measurement of risk, evaluation of risk-adjusted returns, and allocation of risk exposure for international reserve management. The RMO also coordinates with the Financial Markets and Reserve Management Department to determine investment guidelines, as well as 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 benchmark portfolio allocation (asset and currency allocations) in order to gain the expected risk-adjusted return according to the BOT policy;
- (2) To maintain sufficient liquidity for monetary and exchange rate policies; and
- (3) To determine the appropriate financial risk tolerance level for international reserve management.

18.4 The risk management policy is embedded within the investment decision-making process of international reserve management.

## **19. Financial Restatements**

Financial statements for the year ended December 31, 2001 have been restated in line with the presentation of financial statements for the year 2002 without causing an effect on net income presented herein.

## **MANAGEMENT AND PERSONNEL**

## Management and Personnel

### Organizational Structure and Working Processes

As ongoing projects, during the year 2002, the BOT was still undertaking the organizational restructuring and work process streamlining projects. Besides, the BOT also brought in new projects relating to the information as well as management systems. These projects were aimed to improve the BOT's efficiency and effectiveness such that the 5-year strategic objectives of the BOT would be met. These projects were identified as followings:

1. The business process reengineering and organizational restructuring projects: Various business groups of the BOT that undertook both business process reengineering and organizational restructuring were the Monetary Policy Group, the Payment Systems Group, the Information Technology Group, the Human Resources Group, the Internal Audit Group, and the Note Printing Works. Whereas, the Financial Markets Operations Group reengineered only its business processes of the Dealing Room System, as well as of the Exchange Control and of the Credit & Refinancing Divisions.

2. Other studies and projects relating to work process and system development: In order to improve the BOT's management systems and styles, such projects as the Studying and Consulting for Good Corporate Governance, the Quality Assurance Reviews, the Reengineering Internal Audit according to Risk-based management, the Control Self Assessment, and the Supply Chain Management were launched. Moreover, projects such as Data Management System (DMS), the Enterprise Knowledge Portal Strategy (EKP), and the Resource Enterprise Planning (ERP) comprising of 3 subprojects -- Human Resource Information System (HRIS), Budgeting Finance Information System (BFIS), and the production module of Note Printing Works -- were also commenced within the same year for the purpose of helping the management level as well as the BOT's staff in managing their tasks through better facilitating and utilizing the available data and information.

### Employees Distribution

At the end of 31 December 2002, the number of employees totalled 4,611 (4,944 employees at the end of 31 December 2001). The proportion of male to female employees was 47: 53. With regard to education, 77.77 percent of employees received bachelor's degree or higher (53.59 percent with bachelor's degree, 23.23 percent with master's degree and 0.95 percent with doctoral degree). During the year, 24 employees resigned, 52 employees retired, 7 employees early retired, 9 passed away, 179 employees resigned under the mutual separation plan on 1 January 2002 and 39 employees resigned on 1 July 2002, accounting for 6.72 percent of the total workforce, and 23 employees were seconded to external organizations.



## Human Resource Management

In 2002 the BOT adopted policy aimed at developing and improving its effectiveness of overall structure and functions, with emphasis given to such key result areas as organizational structure, human resources, decision-making process and management information system. With regard to this policy direction, human resource planning and operations were redirected toward more professional and strategic roles in linking and aligning operations of the mentioned key result areas at all levels to be in line with the BOT's vision, core purposes, strategic objectives, human resource policy framework as well as best-practices of leading organizations.

On training and development, the BOT provided its technical staff with appropriate training in the field of technical skills to ensure their readiness to support the organization's core purpose while at the same time placed emphasis on soft skills training for all its staff to foster organizational culture change. The BOT had also sent its staff to attend external training both domestically and overseas to improve their competence and broaden their perspectives. These functions were undertaken with the aim to enable the BOT to achieve its vision of being a reputable organization commanding public trust and respect. Furthermore, training management and organization were redesigned and reorganized to enhance staff development efficiency by linking training to competency development needs to ensure high work performance and by allocating the responsibility for training and development of their own staff to all groups within the BOT.

Core HR processes of recruitment, performance management, reward and compensation management, career planning and development, were redesigned. Within this framework, rewards were geared toward performance -based, whereas performances at all levels of working unit from functional groups down to employees were goal-oriented. Moreover, job evaluation and pay structure were reviewed, recruitment would be carried out through Graduate Pool List, and Assessment Centre was employed as a tool for obtaining information for the selection and development of BOT staff. Managers at all levels in line and support functions were empowered to play active roles in enhancing capabilities and developing career opportunities of their staff. In addition, Human Resource Information System was used to improve the effectiveness of work process and operations as well as increase the quality of services.

As key HR components were properly integrated, implemented, managed, and maintained, they were expected to contribute to organizational change and development and consequently lead the BOT to be a reputable organization commanding public trust and respect.

## Court of Directors

As of 31 December 2002

Chairman	M.R. Pridiyathorn Devakula
Vice Chairman	Mr. Techapit Sangsingkeo
	Mr. Thirachai Phuvanatanarubala
	Mrs. Tarisa Watanagase
Director	Mr. Thienchay Kiranandana
	Mr. Kiattisak Jelatianranat
	Mr. Chaiwat Wongwattanasan
	Mr. Kirk-krai Jirapaet
	Mr. Chakramon Phasukavanich
	Mr. Sathit Limpongpan

## Executives of the Bank of Thailand As of 31 December 2002

<b>Governor</b>	<b>M.R. Pridiyathorn Devakula</b>
<b>Deputy Governor, Corporate Support Services</b>	<b>Mr. Techapit Sangsingkeo</b>
<b>Deputy Governor, Monetary Stability</b>	<b>Mr. Thirachai Phuvanatnaranubala</b>
<b>Deputy Governor, Financial Institutions Stability</b>	<b>Mrs. Tarisa Watanagase</b>
<b>Assistant Governor, Operations</b>	<b>Mr. Chetthavee Charoenpitaks</b>
<b>Assistant Governor, Administration</b>	<b>Mr. Rathakorn Nimwatana</b>
<b>Assistant Governor, Supervision Group</b>	<b>Ms. Udomsup Techakampuch</b>
<b>Assistant Governor, Strategic Capabilities</b>	<b>Mrs. Nopamart Manoleehagul</b>
<b>Assistant Governor, Monetary Policy Group</b>	<b>Mr. Bandid Nijathaworn</b>
<b>Assistant Governor, Information Systems</b>	<b>Mrs. Saowanee Suwannacheep</b>
<b>Assistant Governor, Financial Markets Operations Group</b>	<b>Mrs. Tasna Rajatabhothi</b>
<b>Assistant Governor, Fund Management Group</b>	<b>Mr. Krirk Vanikkul</b>
<b>Assistant Governor, Financial Institutions Policy Group</b>	<b>Mrs. Swangchit Chaiyawat</b>

<b>Deputy Governor, Monetary Stability</b>	<b>Mr. Thirachai Phuvanatnaranubala</b>
<b>Assistant Governor, Monetary Policy Group</b>	<b>Mr. Bandid Nijathaworn</b>
Senior Director, Domestic Economy Department	Mrs. Atchana Waiquamdee (Vacant)
Director, International Economics Department	Mrs. Amara Sriphayak
Director, Monetary Policy Department	
<b>Assistant Governor, Financial Markets Operations Group</b>	<b>Mrs. Tasna Rajatabhothi</b>
Senior Director, Financial Markets and Reserve Management Department	Mrs. Suchada Kirakul
Director, Financial Markets Office	Ms. Nopawan Mahamusik
Director, Treasury Services Department	Mr. Wichai Hirunwong
Director, Strategy and Exchange Control Office	Mr. Suchart Sakkankosone
<b>Overseas Representative Offices</b>	
Chief, New York Representative Office	Mrs. Supawadee Punsri
Chief, London Representative Office	Mr. Paiboon Kittisrikangwan

**Deputy Governor,  
Financial Institutions Stability**

**Mrs. Tarisa Watanagase**

**Assistant Governor,  
Financial Institutions Policy Group**

**Mrs. Swangchit Chaipayat**

Senior Director, Risk Supervision Policy  
and Analysis Department  
(A.) Senior Director, Strategy and  
Financial Institutions Policy Department  
Director, Capital Accord  
and Information Department

Mr. Samart Buranawanachoke

Mrs. Tongurai Limpiti

Ms. Prangtip Busayasiri

**Assistant Governor, Supervision Group**

**Ms. Udomsup Techakampuch**

Senior Director, Financial Institutions Monitoring  
and Analysis Department  
Senior Director, Onsite Examination Department 1  
(A.) Senior Director,  
Onsite Examination Department 2  
(A.) Senior Director, Risk Management and  
Information System Examination Department  
Director, Financial Institution Applications  
and Special Examination Department  
Director, Planning and Development Department

Mr. Sorasit Soontornkes

Mr. Krish Follett

Ms. Pimpa Thawarayut

Mr. Preecha Poramapojn

Mr. Phong-Adul Kristnaraj

Mrs. Eamchit Chanpraipayak

Senior Director, Legal Group  
Director, Legal Group  
Chief Principal Counsel

Mr. Sermsingh Sinhaseni

Mr. Chanchai Boonritchaisri

Mr. Lertsilp Angkatapimon

Senior Director, Litigation Group  
Director, Legal Proceedings Office

Mr. Arkabusik Krairiksh

Mr. Weerachat Sribunma

**Deputy Governor, Corporate Support Services**

**Mr. Techapit Sangsingkeo**

**Assistant Governor, Operations**

**Mr. Chetthavee Charoenpitaks**

Senior Director, Payment Systems Group  
Director, Payment Systems Development Office  
Director, Payment Operations Office

Mr. Sayan Pariwat

Ms. Sibporn Thavornchan

Mrs. Wantana Hengsakul

Senior Director,  
Deposits and Debt Instruments Group

Mr. Tanin Mukdaprakorn

Director, Provincial Deposits  
and Debt Instruments Office

Mrs. Pensri Boonteyakul

Senior Director, Note Issue Group

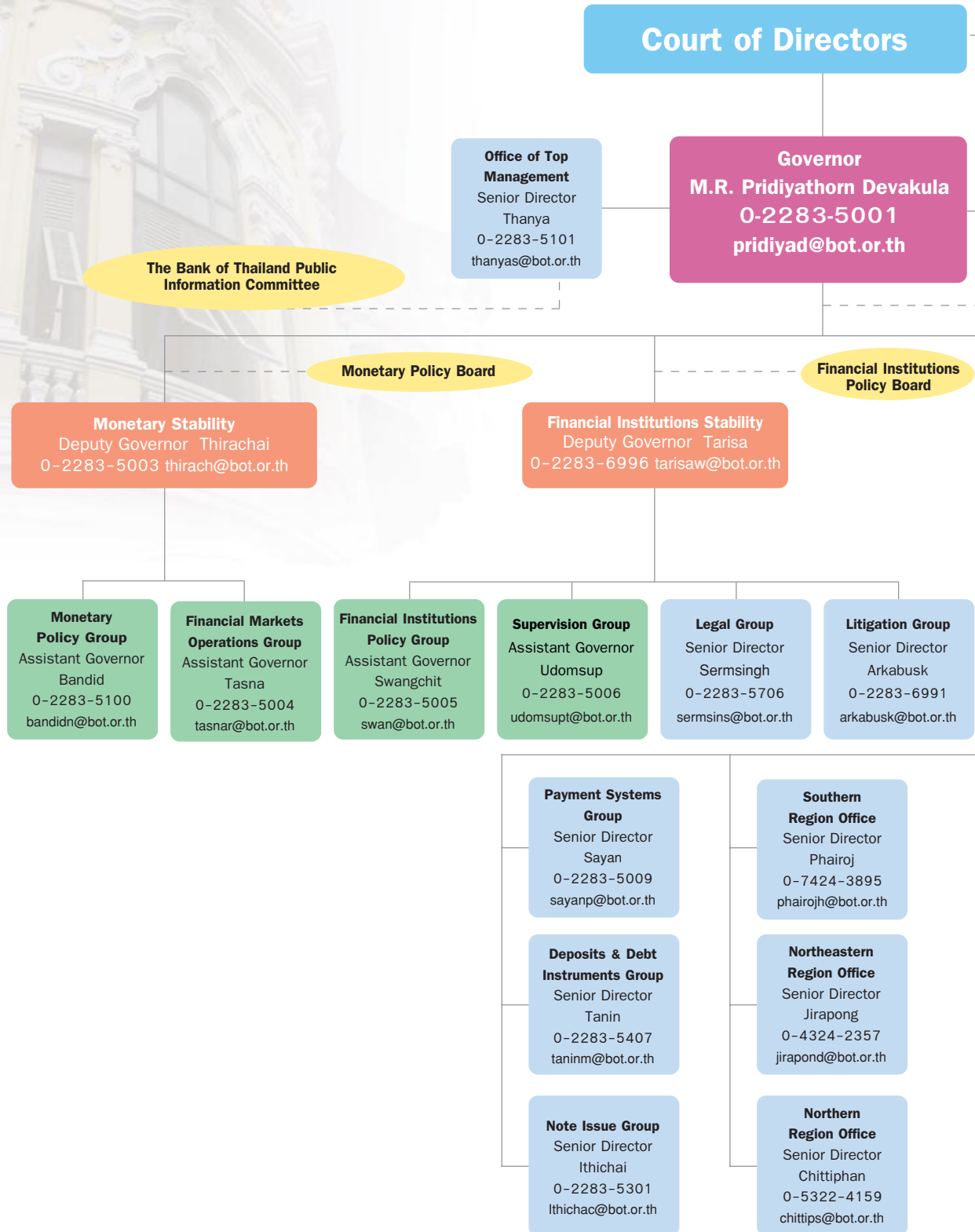
Mr. Ithichai Chanthrindhu

Director, Banknote Service Office	Mr. Wiset Taengnoi
Director, Banknote Management Office	Ms. Rujanee Viranant
Senior Director, Southern Region Office	Mr. Phairoj Hengsakul
Director, Operation Department	Mr. Boonlerd Leongnarkongdee
Senior Director, Northeastern Region Office	Mr. Jirapong Dibyamondol
Director, Operation Department	Mr. Sumart Nukunphadit
Senior Director, Northern Region Office	Mr. Chittiphan Sukhakij
Director, Operation Department	Mr. Prapas Sothornnopabutr
<b>Assistant Governor, Administration</b>	<b>Mr. Rathakorn Nimwatana</b>
Senior Director, General Administration Group	Ms. Aroonsri Tivakul
Director, Building Construction and Renovation Office	Mrs. Suwannee Jenpanichkarn
Director, Procurement Office	Ms. Puengpit Teeraganond
Director, Accounting Group	Ms. Pranee Lelashevasith
Director, Security Group	Mr. Senesiri Siritattanakul
Managing Director, Note Printing Works	Mr. Nopporn Pramojaney
Director, Second Note Printing Works Project	Ms. Duengdao Sombutsiri
Director, Production Department	Mr. Boonsong Chaisa-ard
Director, Administration Department	Ms. Viphaporn Veerayavarangkul
Director, Product Development and Support Department	Mr. Somchai Sringkarrinkul
Director, Library and Archives	Mrs. Soisukon Niyomvanich
Director, Bank of Thailand Museum	Mrs. Anchaneekorn Kulachote

<b>Assistant Governor, Fund Management Group</b>	<b>Mr. Krirk Vanikkul</b>
Senior Director, Fund Operations Department	Ms. Prapai Suwanarat
Director, Legal and Asset Recovery Office	Mr. Vichan Amorojanavong
Director, Assets Management Department	Mrs. Sunet Ratanavanich
Director, Special Project Department	Mrs. Ruchukorn Sangsubhan
Director, Business and Financial Operation Office	Mrs. Povongtip Poramapojn
Director, Corporate Debt Restructuring Group	Mr. Tumnong Dasri
<b>Assistant Governor, Information Systems</b>	<b>Mrs. Saowanee Suwannacheep</b>
Senior Director, Data Management Group	Mrs. Nongnart Sondysuvan
Director, Data Provider Relations Department	Mrs. Poonsin Chalermpong

Senior Director, Information Technology Group	Mr. Chim Tantiyaswasdikul
Director, Technical Management and Operation Office	Mrs. Tipavan Nookhwun
Director, Business Solution Delivery Office 1	Mrs. Jintana Tinburanakul
Director, Business Solution Delivery Office 2	Mr. Permsuk Sutthinoon
(A.) Director, Business Integration Office	Mrs. Bhusadi Muhpayak
<b>Assistant Governor, Strategic Capabilities</b>	<b>Mrs. Nopamart Manoleehagul</b>
Director, Strategic Services Group	Mrs. Sivarporn Krittayarut
Senior Director, Human Resources Group	Ms. Duangmanee Vongpradhip
Director, Training Institute	Mrs. Vorasulisi Songcharoen
Director, Human Resources Planning and Development Office	M.R. Nopkatemanee Tengniyom
Director, Human Resources Shared Services Office	Mr. Somchai Setakornnukul
Director, Modernization Program Office	Mr. Niruth Raksaseree
Director, Risk Management Office	Ms. Bhimolban Bavovada
Senior Director, Internal Audit Group	Ms. Nitaya Pibulratanagit
Director, Office of Financial Institutions Stability Work Audit	Mrs. Soontara Pussayanavin
Senior Director, Office of Top Management	Mrs. Thanya Suraswadi
Director, Public Communication Office	Mr. Oubaur Kruthanooch
Director, Office of the Governor	Mrs. Nual-anong Angsurat
Adviser to the Governor	Sub. Lt. Yodchai Choosri
Specialist	Mrs. Porntip Gongsakdi
Specialist	Mr. Udom Zaw-raksa
Specialist	Mrs. Chittima Duriyaprapan

# Bank of Thailand's Organization Chart



as of 31 December, 2002

**Audit Committee**

**Internal Audit Group**  
Senior Director  
Nitaya  
0-2283-5702  
nitayap@bot.or.th

**Top Management Committee**

**Library and Archives**  
Director  
Soisukon  
0-2283-5690  
soisukon@bot.or.th

**Corporate Support Services**  
Deputy Governor Techapit  
0-2283-5008 techapit@bot.or.th

**Bank of Thailand Museum**  
Director  
Anchaneekorn  
0-2283-5281  
anchanek@bot.or.th

**FIDF Board**

**CDRAC Committee**

**Payment Committee**

**Operations**  
Assistant Governor  
Chetthavee  
0-2283-5007  
chetthav@bot.or.th

**Administration**  
Assistant Governor  
Rathakorn  
0-2283-5002  
rathakon@bot.or.th

**Information Systems**  
Assistant Governor  
Saowanee  
0-2283-5419  
saowanee@bot.or.th

**Strategic Capabilities**  
Assistant Governor  
Nopamart  
0-2283-6901  
nopamarm@bot.or.th

**Fund Management Group**  
Assistant Governor  
Krirk  
0-2356-7100  
krirkv@bot.or.th

**Corporate Debt Restructuring Group**  
Director  
Tumnong  
0-2283-6200  
tumnongd@bot.or.th

**General Administration Group**  
Senior Director  
Aroonsri  
0-2283-6999  
aroonrst@bot.or.th

**Note Printing Works**  
Managing Director  
Nopporn  
0-2283-6001  
noppornp@bot.or.th

**IT/User Committee**

**Human Resource Committee**

**Modernization Program Steering Committee**

**Accounting Group**  
Director  
Pranee  
0-2283-5506  
pranee@bot.or.th

**Note Printing Works Board Directors**

**IT Group**  
Senior Director  
Chim  
0-2283-6005  
chimt@bot.or.th

**Human Resources Group**  
Senior Director  
Duangmanee  
0-2283-5501  
duangmav@bot.or.th

**Modernization Program office**  
Director  
Niruth  
0-2283-6974  
niruthr@bot.or.th

**Security Group**  
Director  
Senesiri  
0-2356-7966  
senesirs@bot.or.th

**Data Management Committee**

**Data Management Group**  
Senior Director  
Nongnart  
0-2283-6989  
nongnars@bot.or.th

**Strategic Services Group**  
Director  
Sivaporn  
0-2283-6900  
sivak@bot.or.th

**Risk Management Office**  
Director  
Bhimolban  
0-2283-5013  
bhimolbb@bot.or.th