

Are the BOT's financial losses a concern?

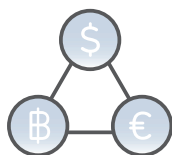
1 Why does the BOT's financial performance record profits in some years, and losses in others?



The BOT's annual profit or loss is determined by changes in the Thai baht's valuation, due to a unique characteristic of the BOT's financial statements, in which its assets are mostly international reserves in foreign currencies. At every year-end, these foreign assets must be revalued to Thai baht, resulting in a valuation gain or loss.

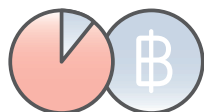
Hence, profits or losses in the financial statements do not impair the BOT's ability to deliver on its missions as a central bank, so long as it continues to implement policies that are justified and appropriate in maintaining the country's economic stability and also, importantly, earn the confidence of all stakeholders involved.

2 If the BOT records a financial loss, would it impair its international reserve position?



The BOT's profits or losses each year are mostly a result of valuation gains or losses from revaluing assets in foreign currencies or "international reserves" into Thai baht. For example, if the BOT has 280 billion US dollar of foreign assets and the Thai baht depreciates by one baht, a valuation gain of 280 billion baht will be immediately recognized. Conversely, if the Thai baht appreciates by one baht, a valuation loss of 280 billion baht will be immediately recognized. In either case, the BOT's international reserves position remains unchanged at 280 billion US dollar.

3 Are the BOT's liabilities counted as public debt?



The BOT's liabilities arise from its operations to deliver on its missions, such as issuing bills and bonds to ensure sufficient liquidity in the financial system, printing banknotes for circulation, or accepting deposits from financial institutions. In carrying out its central bank missions, liabilities may increase in some periods, together with an increase in assets. Therefore, this does not impose additional fiscal burden, nor does it count as public debt that the government must oversee.

For Thailand, the Public Debt Management Act, B.E. 2548 (2005) does not count the BOT's liabilities as public debt. Similarly, almost all other countries do not count the central bank's liabilities as public debt.

For further information on the roles and responsibilities of the BOT, please refer to the article on the BOT's Missions and Financial Statements.