



**Thailand's Economic and Monetary Conditions
in 2004**

Monetary Policy Group

February 2005

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Part 1: Economic Performance in 2004

1.1 Executive Summary**The Thai Economy in 2004**

The Thai Economy grew by 6.1 per cent in 2004, decelerating slightly from 6.9 per cent growth in 2003, due to the slowdown in domestic demand especially in private consumption and private investment. External demand remained satisfactory with export value attaining record levels. The engines of growth in 2004 proved to be private investment and exports. The Private Investment Indicator expanded by 12.8 per cent, decelerating from 13.6 per cent growth in the previous year. Exports, on the other hand, grew by 23.0 per cent, up from 18.2 per cent in the previous year

The Private Consumption Index grew by 3.7 per cent in 2004, moderating from 5.4 per cent in the previous year. This is partly contributable to the fulfillment of the pent-up demand for household durables and the continued weakening in consumer confidence since the beginning of the year. Risk factors comprised high world oil prices, the unrest in the three southernmost provinces, and the outbreak of avian flu in poultry. Government expenditure grew by 17.8 per cent in Fiscal Year 2004, accelerating in terms of both current expenditure and investment. Government revenue expanded by 17.1 per cent in FY2004, commensurate with continued economic expansion and strong corporate profits. As a result, the government registered a cash surplus in the amount of 17.2 billion baht.

The deceleration in domestic demand resulted in the slowdown of domestic supply. The Manufacturing Production Index grew by 8.1 per cent in 2004, decelerating from 12.3 per cent growth in the previous year in tandem with the decrease in the production of food and beverage for domestic consumption and export goods such as block rubber, and integrated circuits. As for the agricultural sector, drought

reduced output growth of main crops from 10.5 per cent in the previous year to 1.2 per cent. Nevertheless, crop prices remained at a high level especially the prices of jasmine rice and rubber. As a consequence, farm income still expanding well at 15.4 per cent.

As for the services sector, the number of foreign tourists grew by 16.5 per cent in 2004 despite the adverse impact of (1) the outbreak of avian flu in poultry in the first quarter and (2) the unrest in the three southernmost provinces from the second quarter onwards. Despite these unfavorable events, the year-on-year growth in the number of foreign tourists in 2004 proved to be satisfactory owing to the low-base effect from the sharp fall in the number of foreign tourists in 2003 given concerns over the outbreak of severe acute respiratory syndrome (SARS). Furthermore, the economic impact of the natural disaster that beset the six provinces on the Andaman coast during the last week of the year did not affect overall economic growth in 2004.

The expansion of the manufacturing sector, the construction sector, and the service sector is consistent with the expansion of private investment. Together, they led to a 6.0 per cent rise in non-agricultural employment. This observed increase was partly due to the migration of labor away from the agricultural sector following the drought. For 2004, agricultural employment declined by 2.3 per cent.

Short-term interest rates in the money market rose in tandem with the three-time upwards adjustment of the Bank of Thailand's policy rate during the latter half of the year. Nevertheless, liquidity in the financial sector remained high and, as a result, the interest rates on the loans and deposits of large commercial banks remained unchanged from the previous year. Meanwhile, commercial bank credit to

both the corporate and household sectors expanded favorably.

The baht strengthened over the course of the year and averaged at 40.28 baht per US dollar, appreciating by 3.0 per cent from the previous year average despite the baht being adversely affected by the outbreak of avian flu. The bath appreciation was contributable to the following factors: (1) the appreciation of regional currencies due to diminished confidence in the US dollar given rising concerns over the US current account and fiscal deficits, (2) the upwards adjustment of the Bank of Thailand's policy rate in August, October, and December, (3) the rise in foreign investment into the Thai stock market and (4) rumours of an adjustment in the value of the Chinese renminbi.

Overall economic stability remained satisfactory with headline inflation in 2004 averaging only 2.7 per cent, accelerating from 1.8 per cent in the previous year in line with the rise in the prices of raw food and energy. Core inflation averaged 0.4 per cent, compared with 0.2 per cent in the previous year. The unemployment rate remained low at 2.1 per cent. Public debt also remained low at 47.8 per cent of gross domestic product (GDP)¹. As for external stability, the current account continued to be in a surplus in terms of both the trade balance and the services and transfers balance. External debt declined over the course of the year. At end-2004, the foreign reserves position was strong at 49.8 billion US dollar or roughly four times that of short-term foreign debt.

Economic Outlook for 2005

The Thai economy in 2005 is expected to continue its growth trend but at a more decelerated pace as compared to the previous year. This is in line with the expected moderation in external demand,

private consumption, and private investment. Private and public investment will prove to be key drivers of growth.

As for export of services, the adverse impact of the natural disaster in the six provinces along the Andaman coast on tourism is expected to be mostly felt in the first quarter of 2005. And the impact will subsequently lessen in the second half of the year. Meanwhile, the export of goods – after having expanded considerably in 2004 – is likely to decelerate in line with the global economy especially with respect to electronics goods such as integrated circuits which will decelerate following the downwards IT cycle in the global market. Imports, however, will accelerate in tandem with the rise in overall investment.

Regarding risks to growth in the coming period, external risks include (1) the slowdown in the global economy especially with regards to China and key industrialized economies, (2) the upwards adjustment of interest rates in foreign markets, (3) the US current account and fiscal deficits. Internal risks include the unresolved unrest in the three southernmost provinces of Thailand, the outbreak of avian flu, and drought.

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Bank of Thailand

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¹ as of end of November 2004, Public Debt Management Office

1.2 World Economy

The world economy expanded favourably in 2004. As of September 2004, the IMF projected the world economic growth rate at 5.0 per cent, the highest in 20 years. Nevertheless, growth momentum decelerated during the second half of the year in some regions, namely Europe and Japan, on account of a slowdown in global industrial production, which occurred partly as inventory accumulation had passed its cyclical peak.

World economic growth continued to be driven by the United States, with support from Asia, particularly China and Japan. The IMF forecasted the world economic growth rate to be 4.3 per cent in 2005.

In the US, the expansion remained generally strong especially in the second half of 2004. The economy hit a soft patch in the second quarter owing to a slow down in private consumption, which reflected a combination of factors namely 1) waning effects of fiscal stimulus 2) higher oil prices and 3) weaker-than-expected employment growth. In the second half of the year, the pickup in growth was attributed to expanded personal consumption, business fixed investment as well as improved employment conditions. However, excess capacity in the US economy remained, with the capacity utilization rate still below its long-run average and the unemployment rate higher than the natural rate.

Euro area economic recovery continued to gather momentum. The upturn remained primarily dependent on external demand. Private consumption had been relatively stable, partly due to continued high unemployment rates and increased household savings in response to future cuts in benefits under recent pension reforms.

Japan's economy was particularly buoyant in 2004, with strong growth in exports and business fixed investment as key driving factors. However, the recovery was less brisk in the second half of the year, compared to the first, partly on account of

adjustments in industrial production and inventory correction in the IT sector. Though there was progress in addressing financial and corporate sector weaknesses, the adjustment might not be sufficient and these sectors continued to pose challenges to economic expansion in the period ahead. Japan remained in the state of deflation, albeit with easing deflationary pressure.

Growth had been particularly strong in the Asian region, underpinned by the global recovery, strong growth in China, supportive macroeconomic and competitiveness-enhancing exchange rate policies. Economic expansion was expected to continue at a weaker pace than earlier.

The IMF expected world trade volume to increase at the rate of 8.8 per cent in 2004, compared to 5.1 per cent in 2003, as a result of continued global demand recovery.

World inflation rose, with inflationary pressure coming from higher commodity and oil prices. The inflationary impact of higher oil prices appeared to have been more substantial in developing Asia than in developed economies, owing to higher oil dependency.

Developed countries' inflation rates averaged around 2.0 per cent, while those of developing countries registered at 3.9 per cent. Given substantial excess capacity in many countries, risk to inflation appeared moderate.

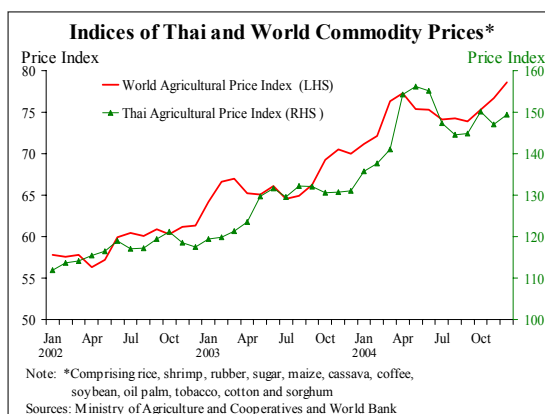
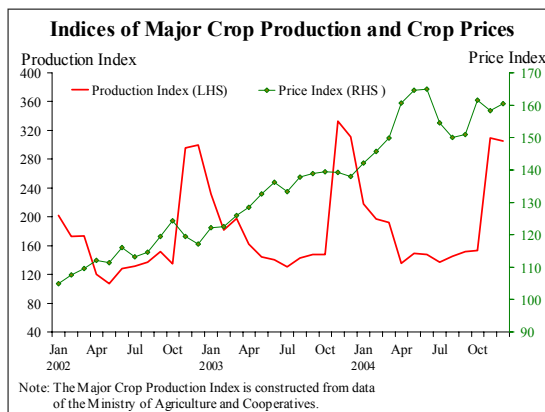
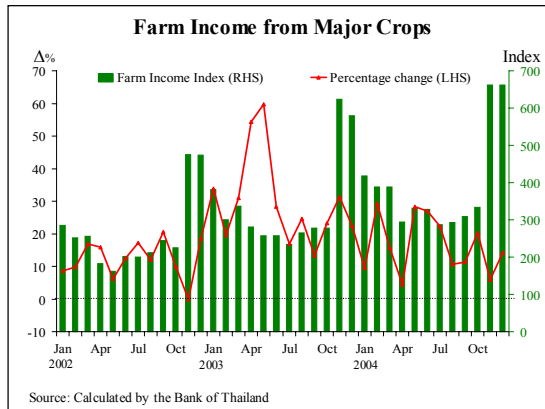
In 2004, world interest rates were largely on an upward path. The US Federal Reserve raised the Fed Fund rate 5 times in 25-basis-point increments to 2.25 per cent in December 2004 to maintain price stability and return interest rates to neutral levels. The ECB, on the other hand, had left the Refinancing Rate, its policy rate, on hold at 2.0 per cent throughout the year, after its last reduction in June 2003 by 25 basis points. Meanwhile, the Bank of England had raised the Base Rate four times in 2004 to 4.75 per cent in an attempt to reign in the brisk economic activity and credit expansion.

Part 2: Economic Conditions in 2004

2.1 Agricultural Sector

Farm Income from Major Crops, Crop Production and Crop Prices

$\Delta\%$	2003	2004				
		Total	Q1	Q2	Q3	Q4
Farm Income	28.7	15.4	17.4	19.3	14.6	12.0
Crop Production	10.5	-1.2	-0.6	-3.3	3.1	-2.9
Crop Prices	16.4	16.9	18.1	23.4	11.1	15.3



Overall Developments in Year 2004

Farm income from major crop increased by 15.4 per cent, decelerating from previous year's growth of 28.7 per cent, which was the highest annual growth recorded. The **major crop price index** maintained its high expansion trend, growing at the rate of 16.9 per cent, which was close to that of 2003. Favourable increases were observed in prices of rice, rubber, sugar cane, and cassava as a result of high world demand. On the other hand, the **major crop production index** declined by 1.2 per cent due to lack of rainfall, which adversely affected the production of rice, sugar cane, and cassava.

Farm income from livestock and fishery benefited from the increase in prices as well. The **price of livestock** increased by 19.3 per cent year-on-year, owing to the increase in the price of swine in response to higher demand as some consumers substituted away from poultry. In addition, the price of eggs rose, partly as a result of the diminished supply of chicken following the outbreak of avian flu. Although the price of poultry declined from the level in 2003, it showed improvement toward the end of 2004.

Fishery price increased by 5.8 per cent compared to the level in 2003, as a result of higher prices in almost all major fishery products with the exception of crab. Price of shrimp, which had been declining since 2003, improved around the middle of 2004 following the US announcement that the US anti-dumping (AD) duty for shrimp products from Thailand would be levied at a lower rate compared to those from most other competitors. The announcement had improved the pricing condition in the shrimp industry, leading to a price increase of 0.3 per cent year-on-year.

World agricultural price (covering only 12 commodities particularly important to the Thai economy) continued to expand. In 2004, the world agricultural price index increased by 12.5 per cent year-on-year, mainly from the increase in prices of rice, rubber and cassava.

Major Commodities

Paddy. Paddy production in 2004 decreased by 11.6 per cent due to the low amount of rainfall as well as the early ending of this year's rainy season, which contributed to a significant reduction of water level in major reservoirs. The unfavourable drought condition had led to a decline in the production of paddy, during both the first and second crop seasons. Nevertheless, the smaller paddy's supply coupled with the government's price subsidy programme helped contribute to a significant increase in the price of paddy.

Thailand's export of rice in 2004 stood at 10 metric tons, expanding by 36.1 per cent year-on-year, as a result of large domestic production during the 2003/2004 harvest. Meanwhile, the world price of rice rose considerably due to lower supply from other rice producing countries, as their production was affected by unfavourable climate condition. As a result, Thailand's rice export value reached 108 billion baht in 2004, increasing by 43.1 per cent year-on-year.

Cassava. The price of cassava in 2004 remained satisfactory, rising by 9.1 per cent from the previous year. The price increase was partly attributable to a 19.3 per cent decline in domestic production on account of drought as well as increased world demand for cassava starch and cassava chips.

Rubber. The production of natural rubber increased by 5.0 per cent year-on-year as a result of the expansion of cultivation area, induced by favourable rubber price increase. Average rubber price in 2004 rose by 18.4 per cent year-on-year in response to higher world demand, especially the accelerating demand from China's

automobile industry. However, the price of rubber decreased slightly toward the end of 2004, partly as result of Chinese government's tightening measures to slow down its economy.

Sugar cane. The production of sugar cane in 2004 declined significantly as a result of the drought condition. Nevertheless, high sugar cane price helped lessen the impact on income of sugar cane farmers. Partly, the high price of sugar cane was attributable to government price guarantees, which set the final sugar cane price of the 2003/2004 harvest season and the preliminary sugar cane price of the 2004/2005 harvest season at a much higher level compared to previous year's prices.

Poultry. The poultry industry endured severe damage on both production and price in 2004, owing to (a) the outbreak of avian flu, which adversely affected the industry throughout the whole year. The damage was particularly due to the ban on exports of frozen fresh chicken from Thailand to several major markets.

Shrimp. Exports of Thai shrimp decelerated partly as a result of a temporary pause of export to the US during the US investigation of possible dumping by several shrimp exporting countries. Nevertheless, the announcement that the rate of antidumping duty (AD), which the US will levy on export products from Thailand would be lower than those being charged to products from other competing countries had helped improve both the production and price conditions toward the end of 2004.

Prospects in 2005

Farm income from major crop was expected to continue its expansion albeit at a decelerating rate, as a result of both production and price factors. **Production** would be adversely affected by anticipated drought condition due to little rainfall during 2004, leading to a much lower amount of water available for agriculture. Meanwhile, the **price of major crops** was expected to increase but at a decelerated pace, partly

because prices had already risen much in 2004, especially those of rice and rubber.

Price of livestock was expected to improve following the anticipated rise in the prices of swine and eggs. Poultry price was expected to benefit from the poultry consumption promotion campaign. Nevertheless, poultry price would remain sensitive to a possible return of avian flu. On the other hand, **the price of fishery products** was anticipated to remain at a satisfactory level. In particular, the price of shrimp would likely benefit from the expected increase in shrimp exports to both

the US and EU markets, which granted special tax privileges for shrimp exports from Thailand.

Overall, **the price of major agricultural commodities** would likely to expand at a decelerated rate in all product categories including major crops, livestock, and fishery.

As for **the agricultural price (covering only the 12 commodities particularly important to the Thai economy)**, it was expected to rise, albeit at a decelerated rate because it had already risen much in 2004.

Sectoral Analysis Team 2
Tel. 0 2283 5650

Major Crop Production, Trade, and Consumption

(Unit: Million tonnes)

Thai Crops	2000/2001	2001/2002	2002/2003	2003/2004 ^P	2004/2005 ^E	Δ%
Paddy	25.84	26.52	26.06	27.24	23.86	-12.4
First crop	19.79	20.90	19.64	20.91	18.65	-10.8
Second crop	6.06	5.62	6.43	6.33	5.22	-17.6
Rubber	2.38	2.56	2.63	2.86	3.01	5.0
Maize	4.46	4.47	4.23	4.18	4.20	0.6
Cassava	18.40	16.87	19.72	21.44	16.98	-20.8
Sugarcane	52.03	62.64	77.56	67.90	52.52	-22.7
Mungbean	0.23	0.24	0.22	0.18	0.16	-10.4
Soybean	0.31	0.26	0.26	0.23	0.24	5.3
Oil palm	3.26	4.10	4.00	4.90	5.18	5.7
Coffee	0.09	0.05	0.05	0.06	0.06	-3.6
World Crops	2000/2001	2001/2002	2002/2003	2003/2004 ^E	2004/2005 ^E	Δ%
Grains						
Production	1,840.7	1,870.8	1,816.8	1,852.1	2,028.6	9.5
Trade	232.9	240.9	242.0	233.9	230.5	-1.4
Rice (milled)						
Production	398.2	398.6	377.8	389.2	401.7	3.2
Trade	24.4	27.8	27.6	26.3	25.4	-3.4
Maize						
Production	589.5	598.5	601.1	621.9	705.9	13.5
Trade	76.5	74.5	78.1	78.5	74.1	-5.6
Soybean						
Production	176.0	185.1	197.1	189.8	219.2	15.5
Trade	53.8	53.6	61.7	55.2	62.4	13.1
Rubber						
Production	7.0	7.2	7.5	8.0	8.6	7.5
Consumption	7.2	7.2	7.5	7.8	8.2	5.1

Note: P = Preliminary

E = Estimated

Source: Office of Agricultural Economics;

World Production, Market and Trade Reports, Foreign Agriculture Service, United States Department of Agriculture

LMC Commodity Bulletin, November 2004

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

	2003	2004				
	Year	Year	Q1	Q2	Q3	Q4
Farm Price Index ^{1/} (1995 =100)	127.6	146.9	138.2	155.2	145.6	148.8
Δ%	9.3	15.1	14.9	21.0	10.9	13.8
Crop Price Index ^{1/}	132.9	155.3	145.9	163.4	151.8	160.2
Δ%	16.4	16.9	18.1	23.4	11.1	15.3
Hom Mali Paddy	7,477	8,255	8,854	9,048	7,614	7,506
Δ%	34.0	10.4	44.2	17.9	-9.8	-2.0
Paddy Class 1 (5%)	5,105	5,586	5,124	5,325	5,691	6,204
Δ%	2.7	9.4	0.8	3.5	9.1	24.7
Rubber	37,631	44,567	42,440	47,770	45,096	42,969
Δ%	38.8	18.4	20.3	31.9	22.0	2.2
Maize	4,480	4,971	4,181	6,273	4,861	4,569
Δ%	7.5	11.0	-3.2	38.4	5.4	2.6
Cassava	871	950	767	869	1,051	1,113
Δ%	-15.7	9.1	-17.9	-5.5	25.6	40.4
Livestock Price Index ^{1/}	109.6	130.8	117.6	144.5	134.4	126.6
Δ%	-2.0	19.3	18.6	29.3	16.0	13.5
Fishery Price Index ^{1/}	129.0	136.5	134.1	140.0	137.0	135.0
Δ%	-0.8	5.8	2.6	6.4	5.7	8.7
Wood Price Index ^{1/}	108.8	113.7	111.0	114.6	114.6	114.6
Δ%	4.2	4.5	3.1	4.9	4.9	4.9

Note: ^{1/} Base year is 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, the Ministry of Agriculture and Cooperatives, and the Ministry of Commerce.

World Agricultural Prices^{1/}

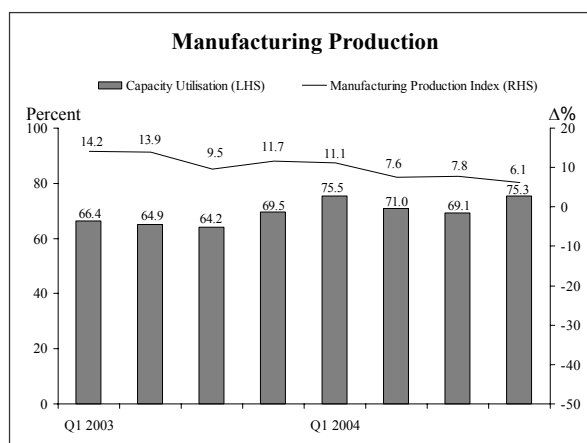
(Unit: US\$/tonne)

	2003	2004				
		Year	Q1	Q2	Q3	Q4
World Agricultural Price Index	66.6	75.0	73.2	76.0	74.1	76.8
(1995 =100)						
Δ%	12.5	12.6	11.1	16.1	13.5	9.9
Rice 5%	198	238	221	234	235	260
Δ%	3.0	20.2	11.3	17.7	19.1	33.0
Shrimp	11,456	11,143	10,900	11,193	11,240	11,240
Δ%	8.9	-2.7	-7.6	-4.2	-1.0	2.2
Rubber	1,056	1,280	1,281	1,356	1,254	1,230
Δ%	37.0	21.2	34.2	38.7	23.0	-3.4
Sugar	156	158	133	146	170	183
Δ%	2.9	1.2	-28.6	-8.2	17.9	35.5
Cassava	111.1	126	123	113	128	139
Δ%	26.6	12.5	29.0	14.1	13.2	-0.6
Maize	105	112	122	128	102	94
Δ%	6.2	6.1	15.5	20.2	1.8	-13.0
Oil palm	443	471	525	497	432	429
Δ%	13.6	6.2	17.8	18.4	5.8	-14.2

Note: ^{1/} 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 World Bank data.

2.2 Manufacturing Sector



Manufacturing Production Index*
(Percentage change)

Industry	Weight			2004 ^P		
	1995	2002	2003	H1	H2	Year
Textiles	14.2	-0.4	0.0	2.9	4.1	3.5
Vehicles and Equipment	10.2	19.8	32.2	24.9	17.3	20.9
Petroleum Products	7.2	1.9	4.3	5.9	10.4	8.2
Beverages	6.6	20.0	17.6	7.2	3.1	5.1
Electronics and Electrical Appliances	6.4	24.1	23.1	27.2	1.8	13.2
Food	6.0	2.8	16.8	-5.5	1.3	-2.9
Setting Jewellery	3.3	0.0	2.0	3.2	2.4	2.8
Construction Materials	2.6	13.4	1.5	8.7	9.6	9.1
Iron and Steel Products	2.1	24.3	2.1	12.1	9.4	10.7
Tobacco	1.9	3.2	3.7	14.3	3.9	8.9
Others	1.9	2.3	13.2	-3.5	2.1	-0.7
Total *	62.4	8.5	12.3	9.4	6.9	8.1
(Excluding Vehicles)	52.2	6.6	8.6	6.1	4.5	5.3

Note: * Covering 45 products with 62.4 percent of the overall value added in the manufacturing sector
P = Preliminary data
Source: BOT surveys

Capacity Utilisation*
(Unit: Percentage)

Industry	Average 1995-1996	2002	2003	2004 ^P		
				H1	H2	Year
Vehicles and Equipment	74.5	54.7	69.6	82.9	86.0	84.4
Petroleum Products	89.5	76.2	79.4	83.5	88.4	85.9
Beverages	82.6	50.5	56.6	61.8	60.4	61.1
Electronics and Electrical Appliances	65.9	55.4	62.1	63.2	64.8	63.8
Food	40.3	45.1	53.9	61.7	44.1	52.9
Construction	88.0	56.9	57.6	62.9	63.2	63.1
Iron and Steel Products	64.7	60.6	63.2	67.4	63.9	65.7
Tobacco	79.7	53.8	55.8	62.1	59.4	60.7
Others	78.9	71.4	73.9	83.3	75.3	79.3
Total*	75.0	59.3	66.3	73.2	72.2	72.7

Note: * Covering 43 products with 44.5 percent of the overall value added in the manufacturing sector
P = Preliminary data
Source: BOT surveys

In 2004, the **manufacturing sector** continued to expand but at a decelerated pace compared to the previous year. The slowdown was particularly marked in export-oriented industries, whereas productions in domestic-oriented industries, though slowed down a bit, continued to expand satisfactorily.

Overall, the Manufacturing Production Index (MPI) grew by 8.1 per cent year-on-year, down from 12.3 per cent growth recorded in the previous year. The slowdown was partly attributable to higher production costs as well as shortage of raw materials, which resulted in lower growth rates of productions in many industries, particularly those in export-oriented industries.

Production of **electronics and electrical appliances industry**, one of our main export-oriented industries, had decelerated significantly from the previous year. Even though the production of integrated circuits expanded well in the first half of 2004 in line with global demand for electronics products, its production in the second half of the year declined considerably due to contracted global demand for integrated circuits as well as their relatively high level of inventories. On the other hand, production of television sets rose owing to strong exports demand. The capacity utilisation rate in the electronics and electrical appliances industry increased slightly from 62.1 per cent in 2003 to 63.8 per cent in 2004.

Production of **food** declined due to the shortage of raw materials, especially those for frozen and canned seafood production. Production of sugar also decreased due to drought condition, which had lowered sugar cane output. The capacity utilisation rate of the food industry stood at 52.9 per cent, close to last year's rate.

Production of **beverage** expanded at a decelerated pace due to continued high inventories of beer since end-2003. The capacity utilisation rate of this industry rose

slightly from 56.6 per cent in 2003 to 61.1 per cent in 2004.

Production of **vehicles and equipment** decelerated slightly from the previous year, growing by 20.9 per cent year-on-year in line with strong demand from both exports and domestic markets. The favourable growth was particularly strong in productions of commercial cars produced for external markets. In addition, lower excise tax on cars further stimulated domestic demand. As a result, the capacity utilisation rate of this industry rose significantly from 69.6 per cent in 2003 to 84.4 per cent in 2004.

Nevertheless, there are a number of industries that registered accelerated growth in 2004 such as:

Production of **steel products** accelerated from last year due to increased domestic demand. In the first half of the year, steel producers stepped up production to increase their inventories in anticipation of higher prices of steel due to rising demand from China. And in the second half of the year, steel production also benefited from strong exports of hot rolled sheets to North America. Nevertheless, the capacity utilisation rate of this industry rose only slightly from 63.2 per cent in 2003 to 65.7 per cent in 2004 owing partly to expansion of production capacity that had been completed during the course of the year.

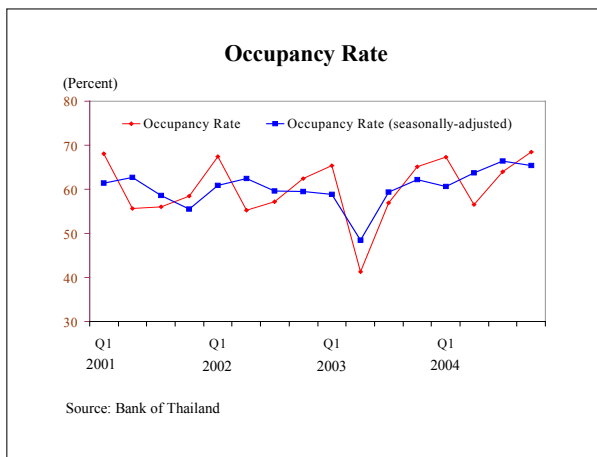
Production of **construction materials** expanded well in line with domestic demand. In the first half of the year, the level of construction activities was particularly high as housing developers were trying to complete housing projects in order to deliver finished properties to home buyers, following the acceleration of real estate transactions towards the end of 2003, when the property transfer fee reduction was ended. In addition, the industry also benefited from increased demand from government projects. As a result, the capacity utilisation rate of this industry rose from 57.6 per cent in 2003 to 63.1 per cent in 2004.

Production of **petroleum** accelerated, growing by 8.2 per cent year-on-year due to rising domestic demand. The capacity utilisation rate of this industry rose from 79.4 per cent in 2003 to 85.9 per cent in 2004.

The manufacturing capacity utilisation rate averaged at 72.7 per cent, up from 66.3 per cent in 2003.

2.3 Services

2.3.1 Tourism and Hotel Industry



International Tourists Classified by Nationality

Country	$\Delta\%$		Market Share (%)	
	2003	2004	2003	2004
	Year	Year	Year	Year
East Asia	-5.6	14.9	57.7	56.5
- Malaysia	3.3	3.7	13.5	12.0
- Japan	-17.0	16.3	10.4	10.3
- Korea	-3.1	29.3	7.0	7.7
Europe	-7.9	13.3	25.2	24.3
USA	-9.9	21.3	6.8	7.0
Others	-14.6	30.0	10.3	12.2

Note: $\Delta\%$ = represents percentage change from the same period last year.

Source: Tourism Authority of Thailand

In 2004, despite the spread of avian flu and the unrest in the three southernmost provinces, the tourism industry still expanded favourably. The contributing factors included various promotion measures initiated by the government and the opening and addition of routes by low-cost airlines.

For the entire year, the number of foreign tourists totalled 11.7 millions, growing by 16.5 per cent from the previous year, which was adversely affected by the outbreak of SARS. Hotel occupancy rate averaged at 64.0 per cent, and foreign revenue from tourism amounted to 386.1 billion baht, up by 18.9 per cent from the previous year.

The first round of avian flu affected tourism only in the first quarter of 2004, resulting in a modest decline in the number of inbound tourists from East Asia. The second round saw some countries issuing travel warnings on Thailand, and rumours of possible human-to-human transmission. Nevertheless, the impact on tourism in the third quarter of 2004 was small because of the improved ability of the Thai authorities to control the epidemic as well as the better understanding of the situation by foreign tourists.

The unrest in the three southernmost provinces began to affect tourism in the second quarter of 2004, with greater impact in the fourth quarter. However, the impact on tourism was limited to those provinces and Hat Yai, which relied mainly on tourists from Malaysia. Nevertheless, the unrest did not significantly discourage Malaysian tourists from visiting other parts of Thailand, as availability of services offered by low-cost airlines increased. In addition, the impact of the tidal waves on tourism was negligible in 2004, as the event occurred during the final week of the year (on 26 December 2004).

The country-of-origin pattern of foreign tourists in 2004 did not change significantly. At 56.5 per cent, tourists from East Asia continued to account for the largest share of all foreign tourists to Thailand, followed by those from Europe and the US, which accounted for 24.3 and 7.0 per cent, respectively. The number of tourists from all countries grew significantly after the decline in 2003 as a result of the SARS outbreak.

In 2005, tourism activities in the tsunami-hit provinces were expected to slow down primarily in the first quarter. Furthermore, the prolonged unrest in the south would affect tourism in the three southernmost provinces and Hat Yai, whereas tourism in other areas was expected to increase.

Balance of Payments Division
Tel. 0 2283 5625

Tourism Indicators

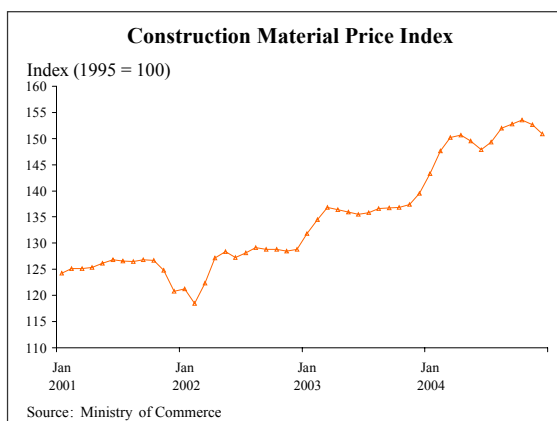
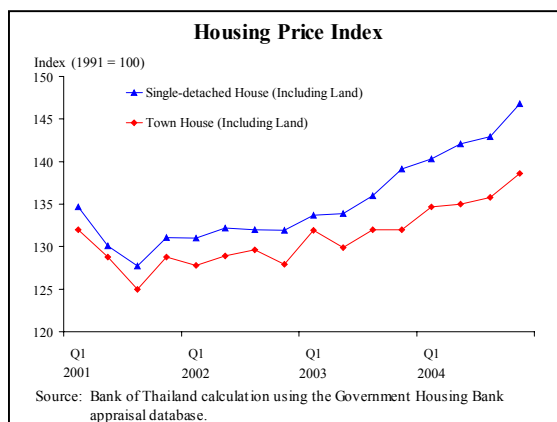
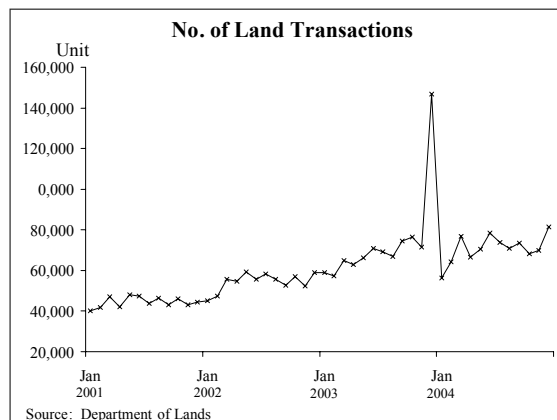
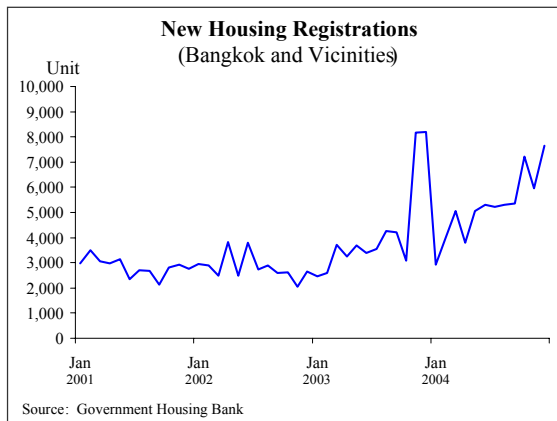
	2003 Year	2004 ^P Year	2004			
			Q1	Q2	Q3	Q4
1. Number of foreign tourist (million persons)	10.0	11.7	3.0	2.5	2.9	3.2
$\Delta\%$	-7.4	16.5	4.4	75.1	14.0	2.3
2. Income from tourism (billion baht)	324.7	386.1	107.5	84.8	90.2	103.6
3. Occupancy rate (percent)	57.2	64.0	67.3	56.5	64.0	68.3
4. Room rates (baht)	1,178	1,238	1,358	1,136	1,131	1,327

Notes: ^P = Preliminary data

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

Sources: Tourism Authority of Thailand and Bank of Thailand

2.3.2 Real estate



In 2004, the real estate market continued to grow satisfactorily, albeit at a slower pace than in 2003, when housing and land transaction was recorded as accelerating, chiefly owing to the advantage taken before the termination of the property tax reduction measure at end-2003. The new housing registrations in Bangkok and its vicinity grew by 24.1 per cent from the previous year. Permitted housing construction area increased by 21.8 per cent. The number of land transactions and land and structure transaction value in 2004 were satisfactory, although they declined by 4.1 and 5.3 per cent, respectively from 2003 when the property tax reduction measure expired.

House prices continued to rise, reflecting persistent housing demand. In 2004, the Single-detached House Price Index (including land) increased by 5.4 per cent year-on-year, and the Townhouse Price Index (including land) expanded by 3.5 per cent year-on-year. However, the increase in housing price was modest given the increase in the construction cost, with the Construction Material Price Index increasing by 10.2 per cent year-on-year in 2004. This suggested a highly competitive market environment.

Outlook for 2005

Demand for houses was expected to grow, especially on future mass transportation coverage area in Bangkok and its vicinities. The cost of business will be increased by the expected higher prices of construction materials, yet it is expected to be minimal price pressure on housing since there will be more housing supply next year.

Real Estate Indicators

	2003	2004				
		Year	Q1	Q2	Q3	Q4
Land Transaction Value^{1/} (Million Baht)	762,579	721,795	126,506	153,243	189,131	252,916
Δ%	109.5	-5.3	-25.5	-11.5	21.7	-4.2
Juristic Act and Right Registration Fee 2 %^{2/} (Million Baht)	8,740	11,168	2,171	2,689	2,888	3,425
Δ%	64.4	28.3	46.4	58.6	58.6	-4.0
Juristic Act and Right Registration Fee 0.01%^{3/} (Million Baht)	32.7	16.3	1.8	1.9	4.5	8.2
Δ%	231.3	-50.1	-81.2	-78.7	-21.8	-4.7
Number of Land Transactions (Unit)	886,294	850,116	197,151	215,653	217,978	219,334
Δ%	35.7	-4.1	8.8	7.8	3.6	-25.6
Permitted Construction Areas (1,000 square meters)	18,572	22,702	4,843	5,935	5,713	6,210
Δ%	33.7	22.2	39.7	41.9	18.9	1.5
Permitted Housing Construction Areas	13,206	16,084	3,502	3,970	4,203	4,409
Δ%	29.3	21.8	33.2	35.4	29.7	0.1
New Housing Registrations (Bangkok and Vicinities) (Unit)	50,594	62,796	11,931	14,143	15,904	20,818
Δ%	48.7	24.1	36.1	36.5	32.6	6.9
- Housing Projects	30,088	40,752	6,846	9,462	10,586	13,858
- Flats/Condominiums	1,908	2,185	598	407	132	1,048
- Self-built Houses	18,598	19,859	4,487	4,274	5,186	5,912
Cement Sale (1,000 Metric Tons)	24,227	27,191	7,137	6,596	6,596	6,862
Δ%	5.2	12.2	12.9	11.4	11.0	13.6
Single-detached House Price Index (Including Land) (1991 = 100)	135.7	143.0	140.3	142.1	142.9	146.8
Δ%	3.0	5.4	5.0	6.1	5.1	5.5
Town House Price Index (Including Land) (1991 = 100)	131.5	136.0	134.7	135.0	135.8	138.6
Δ%	2.2	3.5	2.1	3.9	2.8	5.0
Construction Material Price Index (1991 = 100)	112.8	124.3	121.8	123.7	125.4	126.2
Δ%	7.7	10.2	9.4	9.9	11.0	10.5

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

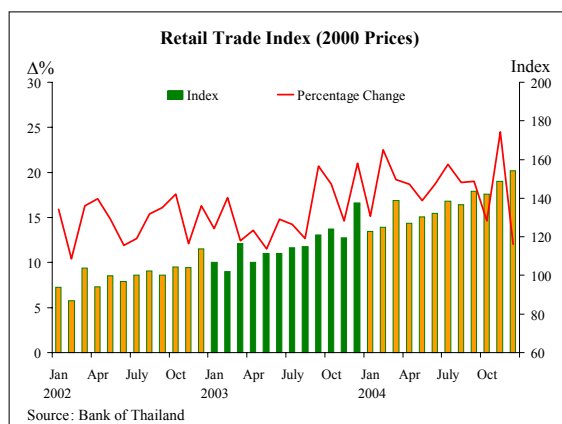
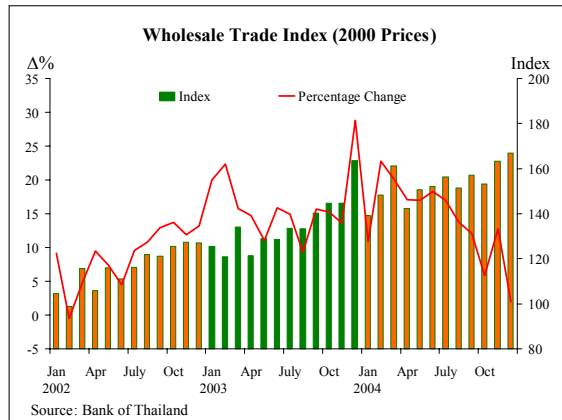
^{1/} Regarding the estimation for overall land transactions nationwide, the Bank of Thailand derives the figures from the amount of the Juristic Act and Right Registration Fee, separately classified into 2 per cent and 0.01 per cent categories.

^{2/} The Juristic Act and Right Registration Fee for immovable property is charged at a rate of 2 per cent, in accordance with Ministerial Regulation No. 47 (BE 2541), which was issued under the Land Code Amendment Act B.E. 2497 article 2(7).

^{3/} The Juristic Act and Right Registration Fee for immovable property is charged at a rate of 0.01 per cent as specified by the Cabinet.

Source: Department of Land, Government Housing Bank, Ministry of Commerce, and Bank of Thailand

2.3.3 Trade Sector



Trading sector expanded well in 2004, both in the retail and wholesale businesses, owing to expanding economy and higher farm income in line with increase in the price of farm products. Growth in the retail sector accelerated despite the introduction of energy saving measures on the opening hours of department stores towards the end of the year. Product groups that experienced accelerated activities were housing decorative items and electronics, benefiting from growing real estate businesses.

The trading sector in 2005 is expected to grow at a decelerated pace as a result of anticipated slowdown of the economy as well as expected increase in goods prices. Nevertheless, a number of trading businesses are expected to grow. New stores are likely to have smaller size in response to the new land usage measure for retail and wholesale sector, which was effective since September 2004. The Tsunami disaster in the six southern provinces is not expected to cause significant impact to the overall outlook of the sector.

Sectoral Analysis Team 2
Tel. 0 2283 5650

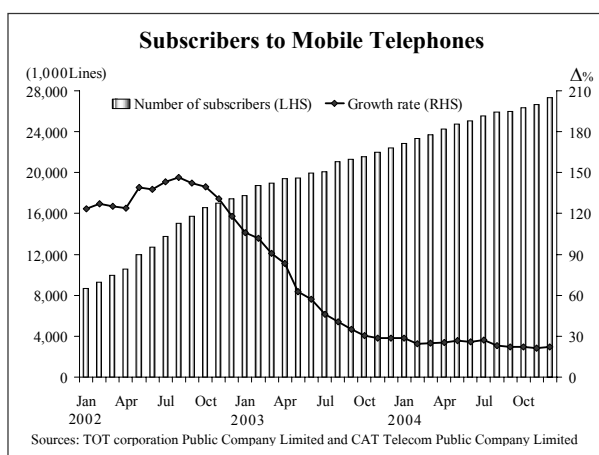
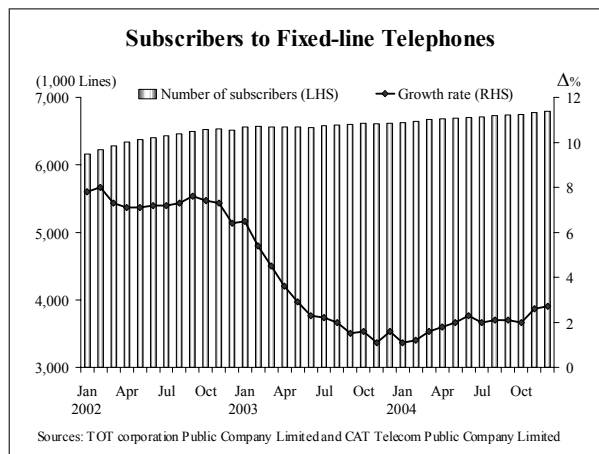
	2003	2004	2004			
			Q1	Q2	Q3	Q4 ^E
Wholesale Trade Index	134.9	153.5	149.6	148.4	154.9	161.1
Δ%	16.4	13.8	17.9	17.5	14.2	6.7
Retail Trade Index	115.5	136.6	128.9	129.7	139.6	148.3
Δ%	15.5	18.3	18.9	18.1	19.6	16.8

Notes: E = Estimated

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

Source: Bank of Thailand

2.3.4 Telecommunication sector



Telecommunication Services

(Million Lines)	2003	2004	2004			
			Q1	Q2	Q3	Q4
Fixed-line Telephones ^{1/}	6.6	6.8	6.7	6.7	6.8	6.8
Δ%	1.6	2.7	1.6	2.3	2.1	2.7
Mobile Phones ^{1/}	22.4	27.3	23.7	25.1	25.9	27.3
Δ%	28.4	21.9	24.9	25.6	21.9	21.9

Note: ^{1/} Data as of end-period
 Δ% = represents percentage change from the same period last year.
 P = preliminary data

Sources: TOT Corporation Public Company Limited and CAT Telecom Public Company Limited

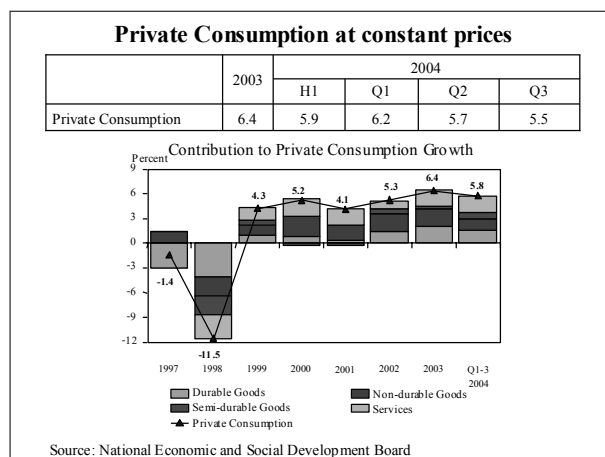
In 2004, telecommunication sector continued to expand well with their subscription numbers increased almost by 5,000,000 for mobile telephone and around 200,000 for fixed-line telephone. This was supported by strong economic expansion and rising consumer's purchasing power.

Though the growth of mobile telephone service businesses decelerated slightly from the previous year, it continued to expand well, partly as a result of varieties of promotional campaign, aiming at different groups of customers, both in terms of pricing and quality of services. For example, the introduction of refill cards for prepaid services at lower denominations was aiming at inducing more subscribers among the existing and large pools of low-and-middle income customers. Meanwhile, the calling rate reduction for monthly post-paid customers was introduced so as to boost airtime usages among middle-to-high income customers. In addition, there were also new real-time information services being offered in the markets.

As for fixed-line telephone businesses, the expansion concentrated mostly in the regional areas, where there still exists high demand for fixed-line services.

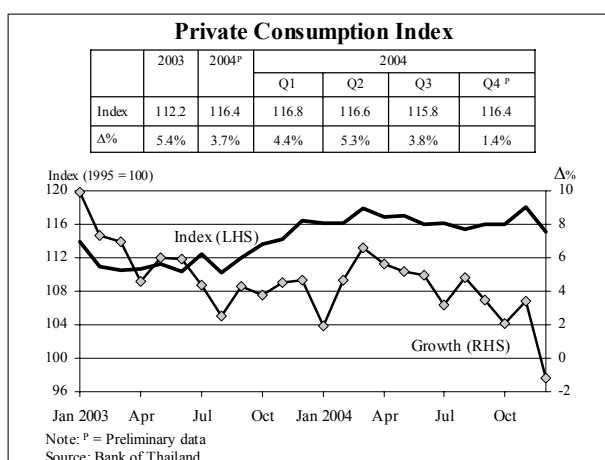
In 2005, telecommunication sector is likely to continue its expansion in tandem with the increase in the demand from both business and household sectors. With varieties of new supplementary services made possible by recent advancements in telecommunications technology, a greater portion of mobile telephone service provider revenues will likely to come from their fee-based incomes. Meanwhile, fixed-line businesses are also expected to expand further owing mainly to the planned expansion of up to 560,000 new fixed-line numbers, mostly in regional areas.

2.4 Private Consumption



Private consumption expanded favourably in 2004, albeit decelerating from 2003. In the first nine months of 2004 private consumption increased by 5.8 per cent, a rate similar to that of the same period in 2003. Consumption of both durable and non-durable goods slowed down while household expenditures on services grew at a similar rate as that of 2003.

The factors that contributed to the overall slowdown of private consumption were the deceleration in farm income increases, rising consumer prices in line with higher domestic retail benzene prices, the downward trend in consumer confidence, concerns over avian flu, unrest in the three southernmost provinces, and the interest rate hike. These factors reduced consumers' purchasing power and sapped consumers' optimism, rendering private consumption growth to slow down throughout the first nine months of 2004.

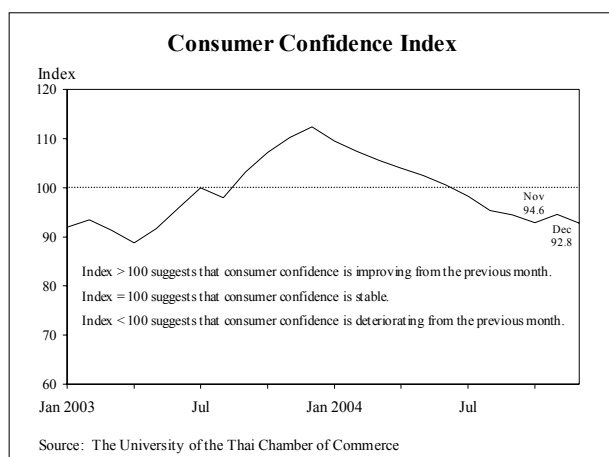


In the fourth quarter of 2004, the BOT's Private Consumption Index (PCI) expanded by 1.4 per cent, down from 3.8 per cent in the previous quarter. The abovementioned factors and in particular rising consumer and oil prices together with the effect of the tidal waves in the six southern provinces curtailed household consumption expenditures during the period leading up to the New Year. The PCI was consistent with other private consumption indicators that exhibited lower growth, such as the sales of beer, liquor, and soft drinks. Other private consumption indicators, however, showed favourable expansion. For example, retail sales accelerated in 2004.

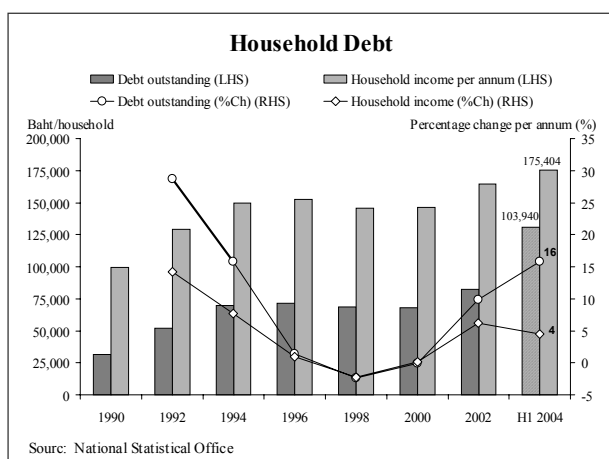
Private Consumption Indicators

	2003	2004 ^P	2004			
			Q1	Q2	Q3	Q4 ^P
Passenger Car Sales (Unit: 1,000 units)	179.4 (42.0%)	209.1 (16.6%)	52.5 (19.3%)	50.1 (18.3%)	50.2 (19.1%)	56.3 (10.6%)
Motorcycle Car Sales (Unit: 1,000 units)	1,687.0 (28.2%)	1,942.8 (15.2%)	507.2 (13.0%)	493.9 (14.2%)	431.3 (11.7%)	510.4 (21.7%)
Sales of Benzene (Unit: billion liters)	7.6 (4.3%)	7.7 (0.3%)	2.0 (4.7%)	2.0 (5.1%)	1.9 (-1.4%)	1.8 (-6.7%)
Household's Usage of Electricity Power (Unit: billion kilowatts)	23.3 (6.2%)	24.5 (5.2%)	5.6 (5.1%)	6.7 (5.7%)	6.3 (6.0%)	5.9 (3.8%)
Imports of Consumer Goods at 1995 prices (Unit: billion USD)	8,107.0 (10.5%)	8,986.5 (10.8%)	2,263.0 (16.5%)	2,257.6 (18.7%)	2,276.0 (12.5%)	2,189.9 (-2.3%)
VAT at 1995 prices (Unit: billion baht)	216.1 (15.5%)	257.8 (19.3%)	62.1 (21.6%)	62.3 (18.8%)	64.7 (19.3%)	68.7 (17.8%)

Note: Number in parenthesis is a year-on-year growth rate.
^P = Preliminary data
Source: Bank of Thailand



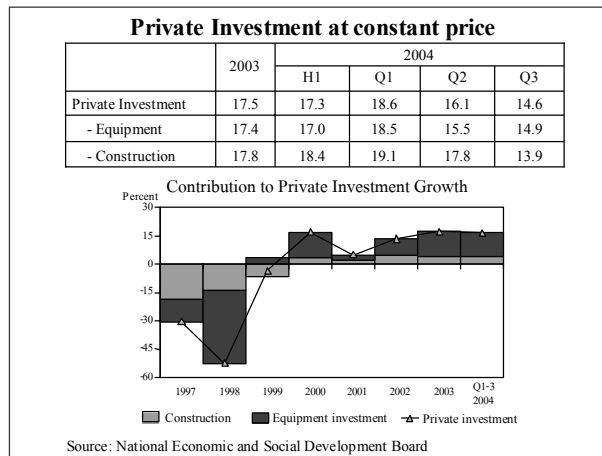
Household consumption growth in recent years was partly due to rising household debt, which increased in line with the economic recovery. Other factors contributing to rising household expenditures and therefore debt included the low interest rate environment, easing consumer credit constraint as well as government stimulus policy at the grass-root level. According to the National Statistical Office (NSO), average debt per household in the first half of 2004 had increased to 103,940 baht from 82,485 baht in 2002.



Although household debt had increased, there was no evident adverse effect on economic stability. This was because part of the household debt increase was to finance asset accumulation such as residential property. In addition, the upward trend of interest rates should discourage further debt accumulation. Moreover, the BOT's measures to limit the mortgage loan-to-value ratio and control credit card loans in November 2003 and April 2004, respectively, should raise consumer awareness of the importance of financial discipline and encourage financial institutions to be more cautious in lending to households.

Economic Indicators Team
Tel. 0 2283 5648

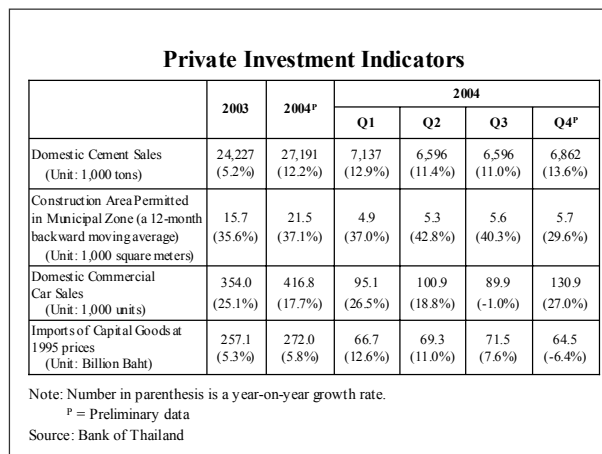
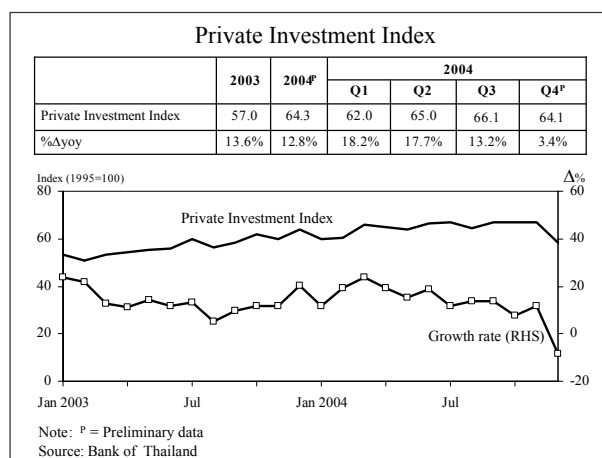
2.5 Private Investment

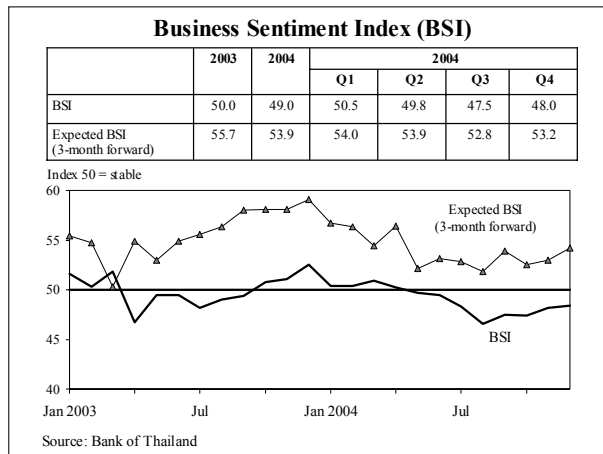


Private investment expanded robustly in 2004 with 17.3 per cent growth in the second half of the year, comparable to its annual growth rate in 2003. Nevertheless, private investment decelerated in the latter half of the year with third-quarter growth registering 14.6 per cent, as compared to 15.8 per cent growth in the same period of 2003. The deceleration was due to the increased cost of investment and the significant rise in the price of construction materials.

During the first three quarters of 2004, despite some deceleration in growth, investment expanded mostly due to increases in investment in equipment and machinery. Meanwhile, construction served as an important source of investment growth with its contribution to growth remaining stable from the previous year.

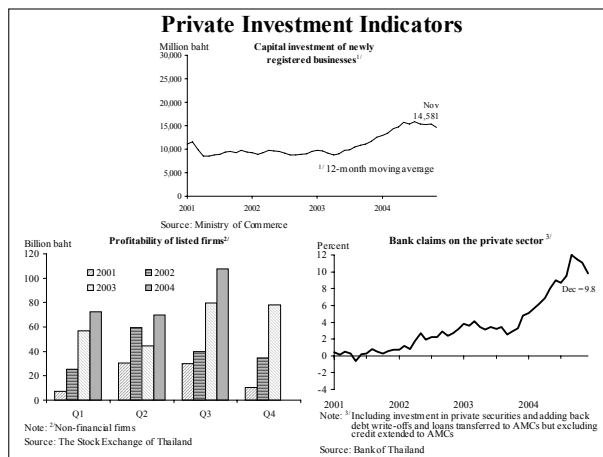
As for the fourth quarter of 2004, private investment indicators pointed to a slowdown from the third quarter in line with the Private Investment Index (PII), which grew at 3.4 per cent in the fourth quarter of 2004, slowed down from 13.2 per cent growth in the third quarter. As a result, private investment over the year was expected to decelerate somewhat from 2003, but will nevertheless attain a satisfactory growth rate. Factors accounting for most of the deceleration included (1) the upward trend in the cost of production, especially the pickup in oil prices during the third quarter of 2004 and (2) the continuing decline in business sentiments since the beginning of the year owing to concerns over rising production costs, the unrest in the three southernmost provinces, the outbreak of avian flu, as well as the appreciation of the baht.





Private investment indicators in 2004 such as corporate income tax revenue, registered capital of new businesses, and foreign direct investment also showed signs of deceleration. Nevertheless, the value of investment projects approved by the Board of Investment (BOI) expanded at a faster pace in 2004 and indicated continued expansion of investment in 2005.

Economic Indicators Team
Tel. 0 2283 5648

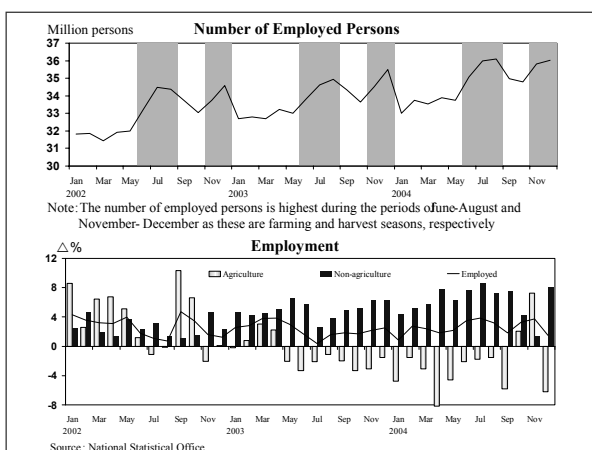


Investment promotion certificates issued

Jan– Dec 2004 (Δ%)	No. of projects	Value
Agriculture	70.2	104.1
Mining ceramics and metals	116.7	682.6
Light industry	44.4	143.9
Metal machinery and equipment	49.1	20.8
Electronics and electrical products	36.5	115.8
Chemicals paper and plastic	31.0	53.9
Services and infrastructure	39.3	27.4
Total	46.9	62.4

Source: Office of The Board of Investment

2.6 Labour Market Conditions

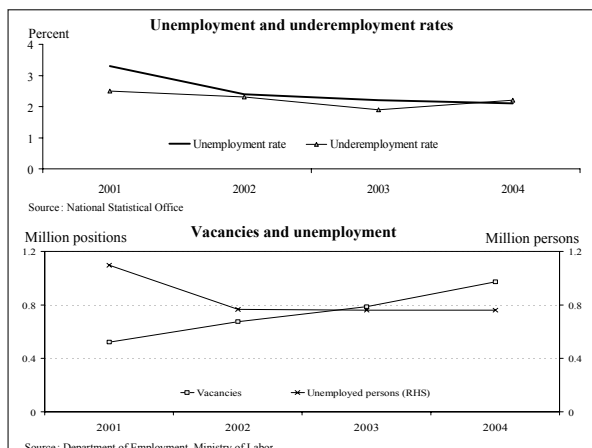
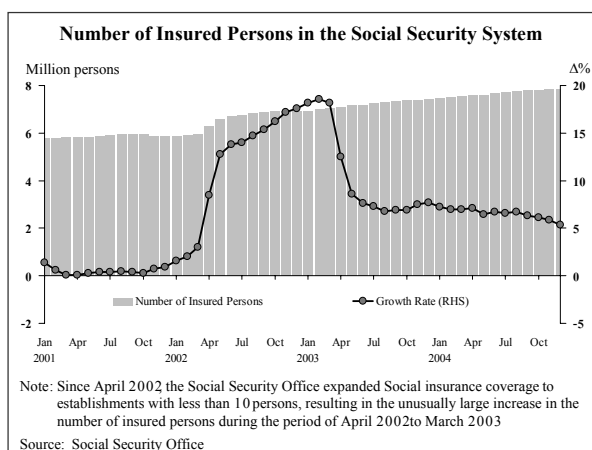


Labour Market Conditions by Sector and Region
(Unit: Percent)

	Share of Employed Persons in 2004	Growth Rate of Employed Persons in 2004
Agriculture	40.3	-2.3
Non-agriculture	59.7	6.0
Manufacturing	16.4	3.9
Wholesale and retail trade	15.3	6.3
Hotel and restaurant services	6.4	5.6
Construction	5.5	11.4
Others	16.0	5.2
Total	1000	2.6

	Share of Employed Persons in 2004	Growth Rate of Employed Persons in 2004	Unemployment Rate 2003	Unemployment Rate 2004
Central region	24.0	3.5	1.7	1.5
Bangkok	13.0	0.8	2.3	2.1
Northern region	18.7	4.6	2.1	2.1
Northeastern region	31.6	2.5	2.6	2.5
Southern region	12.8	0.5	1.9	1.9
Whole Kingdom	1000	2.6	2.2	2.1

Source: National Statistical Office



In 2004, the number of employed persons increased by 2.6 per cent from the previous year due to the increase in non-agricultural employment, which rose by 6.0 per cent, in tandem with the employment expansion in the construction, wholesale and retail, hotel and restaurant, and manufacturing sectors. However, agricultural employment declined from the previous year by 2.3 per cent as a result of drought and the increased demand for labour in the non-agricultural sectors, which resulted in the flow of labour from the agricultural sector to the non-agricultural sectors.

Employment rose in all regions of Thailand especially in the North. The Central Region registered the lowest unemployment rate, partly due to the shift of labour to manufacturing and services within the greater Bangkok metropolitan area.

Private hiring in the formal sector as measured by social insurance coverage rose by 7.83 million persons, increasing from end-2003 by around 0.4 million or 5.3 per cent.

A labour issue that merited attention was the possible pressure on wages from the onset of labour market tightening. Over the course of the year, the low unemployment and underemployment rates, which continued from 2003, together with the job vacancy growth that outpaced the unemployment growth, might reflect a tightening labour market in the future. This trend was confirmed by a BOT survey of private business, which reported labour shortage problems in the construction, real estate, hotels, and tourism sectors.

However, wage pressure had thus far been nonexistent due to the availability of surplus labor in the agricultural sector that could shift into the non-agricultural sectors. In any event, there were signals that the influx of surplus agricultural labor would not be enough to stave off wage pressure, especially if there was skill mismatch between the type of labor demanded and those in the surplus labor pool.

2.7 Price Level

In 2004, the **Consumer Price Index (CPI)** rose by 2.7 per cent, accelerating from the previous year's rate of 1.8 per cent as a result of a 4.5 per cent increase in food and beverage prices and a 1.7 per cent increase in non-food prices. **Core CPI** (excluding fresh food and energy prices) rose by 0.4 per cent, remaining well within the target inflation bracket of 0-3.5 per cent.

Despite the surge in fuel and world commodity prices, inflation was modest due to a number of factors:

(1) The government administered the prices of basic necessities, the most important of which being the retail prices of gasoline, which were kept well below market prices. Consequently, the high price of world crude oil, which had traditionally been an important cost of production, had yet to be fully reflected in the domestic prices of goods and services.

(2) Residential rents, which accounted for 18 per cent of the CPI basket, fell by 0.6 per cent year-on-year.

(3) The baht appreciated from the average of 41.53 baht per US dollar in 2003 to 40.28 baht per US dollar in 2004. As a result, the prices of imported items fell in baht terms.

(4) The government requested co-operations from businesses to delay price hikes. At the same time, fierce competition pressured producers to cap prices to maintain market shares.

Nevertheless, the prices of some items rose quite significantly in 2004, such as those of rice, flour and flour products increased by 8.1 per cent in the face of increased external demand for Hom Mali rice. At the same time, the prices of vegetables and fruits as well as meat, poultry, and fish increased by 10.5 and 9.3 per cent, respectively, due to increased domestic consumption. In the non-food category, the prices of fuel rose from higher world crude oil prices. This led to an upward adjustment in electricity fees, cooking gas prices, and public transportation fares.

As most of the general price increase came from fresh food and energy, headline inflation continued to differ significantly from core inflation.

Consumer Price Index
(Percentage change from the same period last year)

	Weight (Per cent)	2003	2004	2004			
				Q1	Q2	Q3	Q4
Headline Consumer Price Index	100.0	1.8	2.7	1.9	2.6	3.3	3.1
Food and beverages	38.5	3.6	4.5	4.8	5.0	4.5	3.6
Non-food and beverages	61.5	0.7	1.7	0.2	1.2	2.6	2.8
Core Consumer Price Index	75.3	0.2	0.4	0.1	0.4	0.6	0.6

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

The **Producer Price Index (PPI)** increased by 6.7 per cent in 2004, accelerating from the previous year's increase of 4.0 per cent. The acceleration in PPI was due to higher prices in all categories, namely, agricultural, mining, and manufactured products, which rose by 14.9, 12.8 and 5.4 per cent, respectively. While agricultural

prices rose with the increase in the prices of paddy and rubber due to strong external demand, manufactured product prices rose following the increase in the prices of petroleum products and chemical and metal products, and mining products rose in line with the increase in the prices of crude oil, natural gas, and metal ore.

Modelling and Forecasting Team
Tel. 0 2283 6185

Producer Price Index

(Percentage change from the same period last year)

	Weight (Per cent)	2003	2004	2004			
				Q1	Q2	Q3	Q4
Producer Price Index	100.0	4.0	6.7	2.5	5.6	8.2	10.5
Agricultural Products	9.5	10.8	14.9	13.5	18.4	12.7	14.8
Mining Products	2.4	5.8	12.8	1.9	10.2	15.8	23.0
Manufactured Products	88.1	2.8	5.4	0.9	3.8	7.3	9.6

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

2.8 International Trade and the Balance of Payments

Export value grew significantly in 2004, in line with major trading partners' demand growth. Nevertheless, more rapid import growth, mainly due to domestic demand and rising oil prices, led to a smaller trade surplus compared to the previous year. The services, income and transfers account recorded a larger surplus as a result of an increase in tourism revenue. Overall, the smaller surplus in the trade account led to a smaller current account surplus in 2004. Meanwhile, the net capital movement recorded a small surplus compared to a large deficit in 2003 because of the slowdown in private capital outflow. As a result, the balance of payments registered a bigger surplus this year.

Exports

Export value attained a record sum of 96.1 billion US dollars, an increase by 23.0 per cent year-on-year, as export price and volume expanded by 15.8 and 6.2 per cent, respectively. The expansion of export volume was primarily underpinned by the growth of major trading partners' economies, particularly the US, ASEAN, the EU and Japan, which altogether accounted for 66.0 per cent of total Thai exports. Export price surged in line with the increase in raw material price as a result of a substantial increase in world demand for the past year.

The categories of export products with high growth rates in value were high-technology and agriculture. Export value of agricultural products expanded on account of continuing increase in prices.

Details of Thailand's major export items are as follows:

Agricultural Products. Export value of agricultural products grew by 20.5 per cent, as price increased by 22.7 per cent while volume dropped by 1.8 per cent from the previous year. The decrease in volume was primarily due to a decline in the export of rubber and frozen fowl. Export volume of **rubber** to major markets, namely ASEAN, China and Japan, decreased. In particular, China, a major importer, imported

more from Indonesia because of lower price. Export volume of **Frozen fowl** decreased by 92.8 per cent as a result of avian flu while the reduction in the world supply pushed up the price slightly. On the contrary, export volume of rice increased substantially by 36.0 per cent, higher than 0.2 per cent increase in the previous year. Other major rice exporting countries such as India and China experienced drought, which in turn led to a decline in the world stock of rice and hence higher price. As a result, export price of rice rose by 8.0 per cent, rendering the export value of rice to increase by 46.9 per cent in 2004. Export value of **tapioca** increased by 36.5 per cent due to a 31.1 per cent surge in export volume, in line with demand for tapioca chips and pellets from China for alcohol production and from the EU for animal feed.

Fishery Products. Export value of fishery products increased by 1.3 per cent, particularly that of fresh and frozen fish and cuttlefish, which benefited from the increase in price. Export value of **frozen shrimp** dropped by 6.5 per cent because of the decline in its export volume following the anti-dumping investigation by the US, and also because of the continuing decline in its export price.

Manufactured Products. Export value of manufactured products grew by 23.4 per cent. Consequently, the share of manufactured products in total export value increased to 86.8 per cent from 85.8 per cent in 2003. Export of high-technology products still experienced high growth in 2004.

Export value of **high-technology products** grew by 28.6 per cent. Consequently, their share of total export value increased from 59.4 per cent in 2003 to 62.6 per cent in 2004. The major products still were **electronics products** especially computers and parts, the export value of which rose by 12.4 per cent, in line with trading partners' demand for raw materials used in the production of final goods for re-export to the third country. The major export

markets were ASEAN, the US, the EU and China. Export value of **integrated circuits (IC) and parts** rose by 7.6 per cent. At the beginning of the year, it rose significantly because the importing countries prepared to build up their inventories for the anticipated increase in world demand for final products. But at the end of the year, export value showed a declining trend following lower than expected demand for such final products. Meanwhile, export value of **electrical appliances** rose by 31.8 per cent, particularly to the US, the EU, Japan and ASEAN. The increase was due to the EURO 2004 event, the Olympic games and also because of growing popularity of Thai air conditioners in Italy.

In addition, trading partners' growth contributed to the continuing expansion of export value of base metal, petroleum, chemical and plastic products. Higher export price was in line with increasing oil price and raw material price in response to world demand. Export value of **base metal products, petroleum products, chemical products and plastic products** increased by 46.5, 75.3, 32.3 and 36.2 per cent, respectively. As for **vehicles and parts**, its export value soared by 44.9 per cent due to exports to ASEAN, the EU and Australia.

Exports of major **labour-intensive products** such as garment and precious stones and jewellery also rose in value. Export value of **garments** grew by 11.2 per cent. The growth rate was particularly high for quality garments, which were exported to major markets, namely the US and the EU. Moreover, Thailand benefited from the quota restriction on China's export to the US market. At the same time, export value of **precious stones and jewellery** expanded by 18.0 per cent with particularly robust growth in exports to the US, the EU and the Middle East.

As for the **resource-based products**, its export value rose by 8.6 per cent, primarily due to the increase in price whereas volume declined, particularly in food products such as sugar, canned pineapple and canned seafood because of raw material shortage. As a result, export value

of **sugar** fell by 10.4 per cent. However, as the export price of **canned pineapple and canned seafood** still increased, export value of those products increased by 8.1 and 3.8 per cent, respectively. For other products in this category, export value of **furniture and parts** rose by 17.3 per cent mostly to the US, the EU and Japan, which together accounted for more than 80 per cent of total exports of furniture and parts. The key factor behind this value growth was the anti-dumping measure applied to Chinese export to the US market. Meanwhile, export value of **rubber products** rose by 23.3 per cent particularly in pneumatic tire case, in line with growth of the automobile industry.

Imports

Import value reached a record high of 94.4 billion US dollars. It surged by 27.0 per cent as import price rose by 13.3 per cent while import volume rose by 12.0 per cent from the same period the previous year, in line with the expansion of imports of raw material for export goods production and increase in domestic demand.

Details of Thailand's major import items are as followed:

Consumer goods. Import value of consumer goods rose by 15.5 per cent as a result of durable goods imports, such as electrical appliances and household goods. Import value of non-durable goods that rose were those of food and beverages in the categories of dairy products and cereal products. In particular, fruits and vegetables imports grew as rapidly as 31.3 per cent, continuing on a trend after the free trade agreement in fruits and vegetables between Thailand and China came into effect in October 2003. The major products were garlic, carrot and fruits such as apple and pear.

Intermediate goods and raw materials. Import value of this category recorded a robust growth of 32.5 per cent, primarily from base metal product imports. In particular, **iron and steel** surged by 55.2 per cent, in tandem with the

continuing expansion of demand for construction, investment in various industries and exports.

Capital goods. Import value of capital goods increased by 20.8 per cent. The important items were **non-electrical machinery and parts**, which grew by 20.8 per cent and were primarily those used in automobile, construction, office equipment, paper, transportation and communications, food as well as metal industries. **Import value of electrical machinery and parts**, which were mainly used in the electronics sector, increased by 19.9 per cent while those of **computer components, IC and IC parts** used for export production grew at 34.0, 40.0 and 10.2 per cent, respectively. Nevertheless, imports of IC slowed down in the second half of the year following the slowdown in electronics export. In addition, the Thai Airways International Company Limited purchased six aircrafts, which had been on lease since 1998, and the Royal Thai Air Force imported one aircraft, the total value of which was 347 million US dollars.

Vehicles and Parts. Import value of vehicles and parts rose by 17.5 per cent, mostly due to the imports of chassis and tires, in line with domestic demand and export growth.

Crude Oil. Crude oil import value rose by 50.8 per cent as a result of a sharp rise of 30.8 per cent in import price. The causes of high oil prices originated in both the demand and supply sides. On the demand side, the key factor was the robust economic growth in China and India as well as speculative buying of oil from hedge funds. The crucial supply-side factors were the reduction in production in the Gulf of Mexico following a hurricane, a protest in Nigeria against increased domestic oil price and continued violence in Iraq. The average import price of crude oil was 34 US dollars per barrel, compared with 26 US dollars per barrel in the previous year. Meanwhile, import volume of crude oil increased by 15.3 per cent, in line with domestic demand expansion.

Trade, Services and Current Account Balances

With import growth greater than export growth, the **trade surplus** declined from 3.8 billion US dollars in the previous year to 1.7 billion US dollars. However, the **services, income and transfers account** registered a higher surplus of 5.6 billion US dollars compared to 4.2 billion US dollars in 2003. Of this, tourism revenue amounted to 9.5 billion US dollars, growing by 20.8 per cent from 2003 when it had been impacted by the outbreak of SARS. On the contrary, tourism expenditures totalled 3.4 billion US dollars, growing by 15.8 per cent. The increase in revenues and payments in tourism came mainly from the rise in the number of inbound and outbound tourists.

Investment income receipts slightly increased from the previous year, both in the private and public sectors, while investment income payments rose as a result of dividend remittances by the private sector.

As the reduction in the trade surplus was greater than the increase in the surplus in the services, income and transfers account, **the current account surplus** fell from 8.0 billion US dollars in 2003 to 7.3 billion US dollars this year.

Net Capital Movements

Net capital movements returned to a modest surplus of 0.1 billion US dollars this year from a deficit of 8.0 billion US dollars in 2003, owing mainly to the reduction of capital outflow from the private sector. Details of net capital movements in 2004 are as follows.

Capital flows of the private sector recorded a deficit of 0.8 billion US dollars, down from that of 8.8 billion US dollars the previous year. The banking sector registered a surplus of 0.7 billion US dollars in 2004, compared to a deficit of 2.4 billion US dollars in 2003. This reversal occurred as a result of a reduction by 0.9 billion US dollars in commercial banks' net foreign assets, as opposed to an increase of 1.3 billion US dollars in the previous year, owing to a decline in the forward sales of foreign currencies to non-residents and a reduction in swap

transactions with the BOT. At the same time, external debt repayment of the BIBF, mostly in the form of short-term debt repayment, decreased from the previous year by 1.0 billion US dollars. As for the non-bank private sector, a deficit of 1.5 billion US dollars was registered, owing mainly to a deficit in the non-resident baht accounts. Meanwhile, foreign direct investment (FDI) recorded a surplus of 0.4 billion US dollars. This figure was contributed by direct loans repayment in the amount of 0.9 billion US dollars, as some foreign companies switched from external to domestic debt, and a surplus of 1.3 billion US dollars in equity investment. Portfolio investment recorded a deficit of 0.4 billion US dollars, due to foreign investment outflows in equity securities. Other loan repayments fell from 1.5 billion US dollars in 2003 to 0.1 billion US dollars this year, largely in the form of net debt repayment by the petroleum product and machinery and transport equipment industries.

Capital flows of the public sector (including the BOT) recorded a surplus of 0.9 billion US dollars. The BOT registered a net surplus of 3.1 billion US dollars. The public sector deficit of 2.2 billion US dollars was due to the repayment of long-term loans, as both the government and state enterprises restructured their external debt obligations, most of which were refinanced through domestic loans. In addition, there was a prepayment by the Thai Airways International Public Company Limited for eight aircrafts in the amount of 0.2 billion US dollars.

Balance of Payments

A large current account surplus coupled with a small surplus in the net capital movements, compared to a large deficit last year, resulted in a balance of payments surplus of 5.7 billion US dollars, up from a surplus of 0.1 billion US dollars in 2003. Therefore, international reserves at end-2004 rose from 42.1 billion US dollars at end-2003 to 49.8 billion US dollars, equivalent to 6.3 months of imports. Net outstanding forward obligations of the BOT stood at 4.6 billion US dollars.

Balance of Payments Division
Tel. 0 2283 5625

Balance of Payments

(Unit: Million US\$)

	2003			2004 ^{1/}		
	Year	H1	H2	Year	H1	H2
Exports, f.o.b.	78,105	36,788	41,317	96,064	45,359	50,705
($\Delta\%$)	18.2	18.6	17.8	23.0	23.3	22.7
Imports, c.i.f.	74,346	34,625	39,721	94,382	45,305	49,077
($\Delta\%$)	17.4	16.0	18.6	27.0	30.8	23.6
Trade balance	3,759	2,163	1,596	1,682	54	1,628
Services & Transfers	4,206	1,530	2,676	5,607	2,739	2,868
Current account balance	7,965	3,693	4,272	7,289	2,793	4,496
Capital movements (net)	-8,000	-4,497	-3,503	124	-1,133	1,257
Private sector	-8,766	-4,539	-4,227	-760	-1,039	279
-Bank	-2,381	-2,369	-12	695	618	77
Commercial bank	-1,295	-2,007	712	912	572	340
BIBF	-1,086	-362	-724	-217	46	-263
-Non-bank	-6,385	-2,170	-4,215	-1,455	-1,657	202
Direct Investment	1,460	666	794	171	268	-97
Other Loans	-1,470	-298	-1,172	-80	-9	-71
Portfolio Investment	-244	-227	-17	-449	-425	-24
Nonresident Baht Account	-6,006	-2,432	-3,574	-1,307	-1,841	534
Others	-125	121	-246	210	350	-140
Public sector	766	42	724	884	-94	978
Government & State enterprise	-1,903	-73	-1,830	-2,181	-1,341	-840
BOT	2,669	115	2,554	3,065	1,247	1,818
Errors and omissions	178	-249	427	-1,678	191	-1,869
Overall balance 2/	143	-1,053	1,196	5,735	1,851	3,884

Note : ^{1/}Preliminary^{2/}Actual $\Delta\%$ represents percentage change from the same period last year

Source: 1. Customs Department

2. Bank of Thailand

2.9 External Debt

External Debt outstanding stood at 50.6 billion US dollars as of end-2004, declining from 51.8 billion US dollars as of end-2003, as a result of the debt repayment of 2.2 billion US dollars. However, total external debt fell by only 1.2 billion US dollars over the year due to an appreciation of the yen that resulted in a higher value of yen-denominated debt in US dollar terms. The details of the external debt can be summarized as follows:

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

	2002	2003	2004	Dec-04 compared to Dec-03
1. Public Sector	23,305	16,959	14,848	-2,111
1.1 BOT (Long-term)	4,902	0	0	0
1.2 Govt and State Enterprises	18,403	16,959	14,848	-2,111
Long-term	18,016	16,574	14,560	-2,014
Short-term	387	385	288	-97
2. Private Sector	36,154	34,824	35,744	920
Long-term	24,622	24,305	24,725	420
Short-term	11,532	10,519	11,019	500
2.1 Banks	8,136	7,045	7,081	36
Long-term	3,929	3,729	4,447	718
Short-term	4,207	3,316	2,634	-682
2.1.1 Commercial Banks	2,963	2,790	3,036	246
Long-term	1,529	1,271	1,733	462
Short-term	1,434	1,519	1,303	-216
2.1.2 BIBFs	5,173	4,255	4,045	-210
Long-term	2,400	2,458	2,715	257
Short-term	2,773	1,797	1,331	-466
2.2 Non-Banks	28,018	27,779	28,663	884
Long-term	20,693	20,576	20,278	-298
Short-term	7,325	7,203	8,385	1,182
Total Debt (1+2)	59,459	51,783	50,592	-1,191
Long-term	47,540	40,879	39,285	-1,594
Short-term	11,919	10,904	11,307	403
Share (%)	100.0	100.0	100.0	
Long-term	80.0	78.9	77.7	
Short-term	20.0	21.1	22.3	
Share (%)	100.0	100.0	100.0	
Private	60.8	67.2	70.7	
Public	39.2	32.8	29.3	

*Note: Including valuation change
Source: Bank of Thailand

External debt of the private sector stood at 35.7 billion US dollars, rising by 0.9 billion US dollars from end-2003 due to (1) the debt transfer from the public to the banking

sector as a result of the merger between Industrial Finance Cooperation of Thailand (IFCT) and Thai Military Bank, (2) an inflow of trade credit of the petroleum related businesses. Nonetheless, the other non-bank businesses continued to make a repayment for its short-term and long-term loans. In addition, a higher value of yen-denominated debt in US dollar term resulted in higher value of external debt of the private sector.

External debt of the public sector amounted to 14.9 billion US dollars, falling by 2.1 billion US dollars from end-2003 due to (1) the government and state enterprises' loan repayment and prepayment in the amount of 2.3 billion US dollars, (2) the debt transfer of IFCT from the public to the banking sector in the amount of 0.6 billion US dollars. Nonetheless, there was an inflow of 0.3 billion US dollars from the issuance of long-term Floating Rate Notes (FRNs) by government and the debentures by state enterprises. Part of it was for refinancing the redemption of maturing debt securities. However, these debt securities were partly purchased by the Thai commercial banks. The external debt of the public sector declined by 2.6 US dollars due to the above factors. However, the appreciation of the yen caused the stock of external debt of public sector to decline by only 2.1 billion US dollars.

External Debt Structure

The short-term debt as of end-2004 accounted for 22.3 per cent of all external debt, rising from 21.1 at end-2003 due to an inflow of short-term loans, especially in the form of trade credit. Meanwhile, the private debt as of end-2004 accounted for 70.7 per cent of all external debt, rising from 67.2 at end-2003.

Part 3: Important policies and measures

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
<p>1. Interest rate policy</p> <p>1.1 Policy rate</p> <p>1) MPC decisions on the following dates:</p> <ul style="list-style-type: none"> • 21 January 2004 • 17 March 2004 • 21 April 2004 • 9 June 2004 • 21 July 2004 • 25 August 2004 • 20 October 2004 • 15 December 2004 		<p>The MPC decided to raise the 14-day repurchase rate on 25 August, 20 October, and 15 December, by 25 basis points each meeting. As a result, the policy interest rate rose from 1.25 per cent to close the year at 2 per cent per annum. The MPC was of the view that interest rates should rise to safeguard economic stability going forward, as low interest rates were no longer needed to support growth and may add upward pressure on inflation and thus become an obstacle to sustainable economic growth.</p>		<p>BOT News No. 2/2547, 8/2547, 12/2547, 16/2547, 21/2547, 30/2547, 39/2547, 46/2547</p>
<p>1.2 Other interest rates</p> <p>1) Interests and discounts that financial institutions may offer or charge</p> <p>2) Rates on bond repurchase agreements with financial institutions to maintain end-of-day liquidity</p>	<p>– Commercial banks</p> <p>– Finance companies, finance and securities companies</p> <p>– All financial institutions except securities companies and IBFs</p>	<p>The BOT removed interest rate ceilings on deposits and allowed financial institutions to set interest rates as announced.</p> <p>For certain customers, financial institutions may offer higher rates but by no more than 0.5 per cent above the rates offered to general customers.</p> <p>The BOT raised the bond repurchase rates pursuant to the BOT regulation on sale and repurchase agreements with financial institutions to maintain end-of-day liquidity, B.E. 2544, to 3.5 per cent per annum.</p>	<p>17 February 2004</p> <p>15 December 2004</p>	<p>BOT Circulars No. FPG (22)C. 41/2547 and 42/2547, dated 3 March 2004 and announced on 25 February 2004</p> <p>BOT Circular No. FMOG(13)C. 28/2547 and BOT Notification dated 15 December 2004</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
<p>2. Money market measures</p> <p>1) Issuance of bonds or debentures denominated in baht by international financial institutions</p> <p>2) Appointment of financial institutions as primary dealers to engage in bilateral repurchases</p> <p>3) Permission for commercial banks to engage in private repurchase transactions</p>	<p>– Commercial banks (excluding BIBFs)</p> <p>– Islamic Bank of Thailand</p> <p>– Export and Import Bank of Thailand</p> <p>– Industrial Finance Corporation of Thailand</p> <p>– Finance companies, finance and securities companies</p> <p>– Commercial banks (excluding BIBFs)</p>	<p>International financial institutions issuing bonds or debentures denominated in baht were required to deposit the proceeds in the Special Nonresident Baht Account (SNA). Financial institutions were allowed to invest in such bonds and debentures.</p> <p>Financial institutions appointed as primary dealers to engage in bilateral repurchases with the BOT were Bangkok Bank, Kasikorn Bank, Citibank Thailand, Siam Commercial Bank, Standard Chartered Bank Thailand, Government Savings Bank, Bank of Asia, and Hong Kong and Shanghai Banking Corporation Thailand. The BOT would review the list of appointed primary dealers at least annually.</p> <p>1. The BOT extended the scope of contractual parties and the types of instruments for private repurchase transactions.</p> <p>2. The BOT clarified supervision rules such as those on the maintenance of capital funds and liquid assets.</p>	<p>-</p> <p>15 June 2004</p> <p>16 September 2004</p>	<p>BOT Circular No. FMOG (03)C. 1109/2547, dated 14 June 2004</p> <p>BOT News No. 17/2547, dated 14 June 2004</p> <p>BOT Circular No. FPG (11)C. 1647/2547, dated 29 September 2004; BOT Notification dated 9 September 2004</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
<p>3. Foreign exchange controls</p> <p>1) Modification of regulations on foreign exchange controls</p> <p>2) Notification of the Ministry of Finance and Notice of the Competent Officer Overseeing Foreign Exchanges with regard to international funds transfer licenses</p>	<ul style="list-style-type: none"> – Commercial banks (excluding BIBFs) – Export and Import Bank of Thailand – Islamic Bank of Thailand – Asia Credit Plc. – Licensees – International funds transfer agents 	<p>1. The BOT raised the limit on foreign exchange sales, purchases, deposits, and withdrawals beyond which permission must be obtained from 10,000 to 20,000 US dollars, or equivalent.</p> <p>2. The BOT modified the limit on export and import values beyond which a list of goods must be provided from 500,000 baht to 20,000 US dollars, or equivalent.</p> <p>1. Licenses were extended to small-scale juristic persons with registered funds of at least one million baht and whose stockholders were entirely of Thai nationality.</p> <p>2. The international funds transfers business was permitted to undertake only the following: transfer of foreign currency funds from abroad to pay out to residents in baht, and transfer of foreign currency funds by request of residents to overseas receivers.</p>	<p>1 April 2004</p> <p>11 August 2004</p>	<p>BOT Circular No. FMOG (03)C.700/2547 dated 31 March 2004</p> <p>BOT Circular No. FMOG (31)C. 3-4/2547, dated 11 August 2004; Notifications of the Ministry of Finance dated 30 July and 4 August 2004; Notice of the Competent Officer dated 6 August 2004; BOT News No. 26-27/2547, dated 11 August 2004</p>
<p>4. Payment measures</p> <p>1) Policy guidelines on the supervision of electronic money services</p>	<ul style="list-style-type: none"> – Commercial banks 	<p>The BOT provided guidelines on the assessment of risks and impacts of electronic money, including guidelines on supervision. Interested commercial banks must seek permission from the BOT to become service providers.</p>	<p>10 February 2004</p>	<p>BOT Circular No. FPG(11)C. 378/2547, dated 10 February 2004</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
2) Rules, procedures, and conditions for the undertaking of the electronic money card business	– Providers of electronic money cards other than financial institutions	The BOT provided rules, procedures, and conditions for the undertaking of the electronic money card business, e.g., management of funds received in advance from customers, stipulation of fees, and security assessment.	13 December 2004	BOT Circular No. FPG (11)C. 2074/2547, dated 13 December 2004
5. Credit measures				
1) Rules, procedures, and conditions for the undertaking of the credit card business	– Commercial banks – Providers of credit cards other than financial institutions	<p>1. The minimum payment was increased from 5 per cent to at least 10 per cent of outstanding debts.</p> <p>2. The credit line granted to each cardholder was to be within five times of his/her average monthly income.</p> <p>3. Credit cards must be cancelled in case of delinquency by over three months since the due date of payment.</p>	1 April 2004 (1 April 2007 for existing cardholders) (1 April 2005 for existing cardholders)	BOT Circular No. FPG (21)C. 47/2547 and 48/2547, dated 26 March 2004
2) Extension of credits to or investment in beneficial businesses; Extension of credits to shareholders of financial institutions	– Thai commercial banks – Foreign commercial banks (excluding IBFs) – Finance companies, finance and securities companies, credit foncier companies	The BOT announced addenda to the previous notification such that extension of credits to or investment in (1) beneficial businesses in which the Ministry of Finance had a vested interest pursuant to 4.3(B) and (2) investment in mutual funds set up by government offices pursuant to 4.3(C) were exempted.	5 June 2004	BOT Circular No. FPG (21)C. 80/2547 and 81/2547, dated 9 June 2004 and announced on 28 May 2004

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
<p>6. Supervision and financial institutions development measures</p> <p>6.1 Supervision of financial institutions</p> <p>1) Amendment of regulations pertaining to the purchase or holding of shares of limited companies in excess of the amount prescribed by law</p> <p>2) Extension of the holding period of foreclosed real estate properties awaiting sale</p> <p>3) Designation of the Thai Asset Management Corporation as a financial institution</p>	<ul style="list-style-type: none"> – Commercial banks – Finance companies, finance and securities companies, credit foncier companies – Commercial banks – Foreign commercial banks (excluding IBFs) – Finance companies, finance and securities companies, credit foncier companies – Commercial banks – Finance companies, credit foncier companies – Asset management companies – Thai Asset Management Corporation 	<p>The BOT allowed financial institutions to hold common and preferred shares of limited companies in excess of the amount prescribed by law following debt restructuring until 31 December 2004.</p> <p>Common and preferred shares transferred to financial institutions in 2004 must be reduced to a level not exceeding the amount prescribed by law by 31 December 2007.</p> <p>The BOT extended the possession period of foreclosed real estate properties, which had been transferred to financial institutions between 1 January 1997 and 31 December 2004, beyond the period stipulated by regulations. However, the properties must be sold within 10 years of the transfer date.</p> <p>The Minister of Finance designated the Thai Asset Management Corporation (TAMC) as a financial institution by virtue of the Emergency Decree on the Asset Management Company, B.E. 2541. This enabled asset management companies to purchase or transfer assets from TAMC.</p>	<p>1 January 2004</p> <p>1 January 2004</p> <p>7 May 2004</p>	<p>BOT Circular No. FPG (21)C. 188/2547 and 189/2547, dated 5 February 2004</p> <p>BOT Circular No. FPG (21)C. 190/2547 and 191/2547, dated 5 February 2004</p> <p>BOT Circular No. FPG (31)C. 61/2547, dated 13 May 2004; Notification of the Ministry of Finance dated 27 April 2004</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
4) Appointment of executives and senior executives of commercial banks as directors	– Thai commercial banks	The BOT prescribed attributes of directors unfit for the positions of executive and senior executive, to facilitate clearance prior to appointment.	30 July 2004	BOT Circular No. FPG(31)C. 1326/2547, dated 29 July 2004; BOT Notification dated 27 July 2004
5) Classification of data on losses due to operational risks	– Commercial banks	The BOT issued guidelines on the management of operational risks of commercial banks and illustrated how to classify data on losses due to operational risks. Relevant Notifications and Circulars were also provided.	17 August 2004	BOT Circulars No. FPG(31) C. 1410/2547, dated 17 August 2004
6) Worthless or irrecoverable assets and doubtful assets that may be worthless or irrecoverable of financial institutions	– Commercial banks (excluding IBFs) – Finance companies – Credit foncier companies	The BOT amended regulations on the provisioning for assets classified as doubtful of loss, in case commercial banks had not undertaken debt restructuring or legal action.	26 August 2004	BOT Circulars No. FPG(21)C. 125-126/ 2547, dated 26 August 2004
7) Maintenance of liquid assets by commercial banks	– Commercial banks	<p>1. The BOT changed the proportions of commercial banks' required liquid assets. Commercial banks must maintain liquid assets by no less than 6 per cent of the combined deposits and certain types of borrowings, as follows:</p> <p>(1.1) Deposits at the BOT must be no less than 0.8 per cent.</p> <p>(1.2) Cash deposits at commercial banks' cash centres must average no less than 0.2 per cent, except in the case where deposits at the BOT already exceed 0.8 per cent, under which the amount in excess may be used to deduct from the required 0.2 per cent. In any case, (1.1) and (1.2) combined must be no less than 1 per cent.</p>	8 October 2004	BOT Circular No. FPG(21)C. 166/2547, dated 22 September 2004; BOT Notification dated 16 September 2004

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
		<p>(1.3) The sum of</p> <p>(1) cash on hand at commercial banks;</p> <p>(2) cash at commercial banks' cash centres in excess of the amount stipulated under clause (1.2)</p> <p>may be counted as liquid assets by no more than 2.5 per cent.</p> <p>(1.4) Stipulations on unencumbered assets were unchanged.</p> <p>2. The BOT modified the stipulations on liquid assets. Commercial banks were required to maintain liquid assets for borrowings with embedded financial derivatives, regardless of whether they were in the form of deposits or borrowings.</p> <p>3. Off-shore lending international banking facilities (IBFs) were required to maintain liquid assets in a similar manner as commercial banks and domestic lending IBFs. Incidentally, the BOT revoked the use of debentures, bonds, and debt instruments of the Bangchak Petroleum Plc. as liquid assets, given that the company was no longer a state enterprise. However, debentures, bonds, and debt instruments issued by the Industrial Finance Corporation of Thailand (IFCT), which had merged with the Thai Military Bank, could still be used as liquid assets up to maturity.</p>	23 December 2004	BOT Circular No. FPG (21)C. 2004/2547, dated 29 November 2004

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
<p>8) Rules on the conversion and realisation of profits and losses from foreign exchange positions; rules on the assessment of fair values of financial derivatives</p> <p>9) Supervision of financial institutions' interest rate risk management; relevant forms and documents</p>	<p>– Commercial banks (excluding retail commercial banks)</p> <p>– Commercial banks (excluding IBFs)</p> <p>– Finance companies</p> <p>– Credit foncier companies</p>	<p>The conversion and realisation of profits and losses from foreign exchange and financial derivatives involving foreign exchange must be in accordance with the Thai accounting standards or internationally accepted standards. The procedures must be applied to the settling of accounts on a monthly basis.</p> <p>The BOT issued guidelines on the management of interest rate risks, including guidelines on the roles and duties of board members and senior executives of financial institutions, interest rate risk management policy, and proper operation procedures.</p>	<p>Accounting period beginning 1 January 2005</p> <p>January 2006</p>	<p>BOT Circular No. FPG (21)C. 1974/2547, dated 22 November 2004</p> <p>BOT Circular No. FPG (21)C. 2141/2547, dated 27 December 2004</p>
<p>6.2 Financial institutions development</p> <p>Establishment of financial institutions in accordance with the Financial Sector Master Plan</p> <p>1) Application for the establishment of a commercial bank as a subsidiary of a foreign bank</p>	<p>– Foreign bank branches</p> <p>– IBFs of foreign banks</p>	<p>The Minister of Finance allowed any foreign bank with an IBF or branch in Thailand that met the required criteria to submit to the BOT an application for the establishment of a commercial bank as a subsidiary of the foreign bank between 1 February 2004 and 31 July 2004.</p> <p>Once in operation, the newly established bank's paid-up capital must be no less than 4 billion baht. The bank may request to set up one branch in Bangkok and its vicinity and three more branches outside the Bangkok metropolis area. However, only one branch can be requested for opening each year.</p>	<p>1 February 2004</p>	<p>BOT Circular No. FPG (11)C. 139/2547, dated 30 January 2004; Notification of the Ministry of Finance dated 23 January 2004</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
2) Application for the establishment of a commercial bank	<ul style="list-style-type: none"> – Finance companies – Finance and securities companies – Credit foncier companies 	<p>Finance companies, finance and securities companies, and credit foncier companies with the required qualifications as specified in the Notification of the Ministry of Finance were allowed to submit to the BOT an application to establish a bank, which can be either a commercial bank or a retail bank. Once in operation, the newly established commercial or retail bank must have first-tier capital funds of no less than 5 billion or 250 million baht, respectively.</p>	1 February 2004	<p>BOT Circular No. FPG (12)C. 137/2547, dated 30 January 2004; Notification of the Ministry of Finance dated 23 January 2004</p>
3) Application for the establishment of a foreign bank branch	– IBFs of foreign banks	<p>Foreign banks operating IBFs in Thailand with the required qualifications as specified in the Notification of the Ministry of Finance were allowed to submit to the BOT an application for the establishment of a foreign bank branch between 1 February 2004 and 31 July 2004. Once established, the foreign bank branch must retain assets of no less than 3 billion baht within Thailand.</p>	1 February 2004	<p>BOT Circular No. FPG (11)C. 138/2547, dated 30 January 2004; Notification of the Ministry of Finance dated 23 January 2004</p>
4) Guidelines on the assessment of management quality of finance companies and credit foncier companies interested in establishing a commercial bank	<ul style="list-style-type: none"> – Finance companies – Credit foncier companies 	<p>Finance companies or credit foncier companies were assessed on two areas:</p> <ol style="list-style-type: none"> 1. Compliance with good governance, e.g., supervision by the board of directors, transparent and sufficient disclose of information. 2. Management quality, e.g., roles and conduct of directors and executives. 	-	<p>BOT Circular No. FPG (12)C. 840/2547, dated 30 April 2004</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
5) Rules, procedures, and conditions for a merger or an acquisition of financial institutions to establish a commercial bank	<ul style="list-style-type: none"> – Finance companies – Credit foncier companies 	<p>A finance company or a credit foncier company qualified to submit an application for the establishment of a commercial bank or a retail bank must merge with, acquire, or accept transfers of all or most assets and liabilities of at least one other finance company or credit foncier company (in accordance with Article 5 of the Notification of the Ministry of Finance dated 23 January 2004).</p>	8 April 2004	<p>BOT Circular No. FPG(12)C. 764/2547, dated 16 April 2004; BOT Notification dated 2 April 2004</p>
6) Rules, procedures, and conditions for the establishment of a commercial bank as a subsidiary of a foreign bank	<ul style="list-style-type: none"> – Foreign bank branches – International banking facilities (IBFs) of foreign banks 	<p>A foreign bank interested in doing so must designate one company as the core for the merger with, acquisition of, or acceptance of transfers of all or most assets and liabilities from at least one other commercial bank or financial institution.</p>	8 April 2004	<p>BOT Circular No. FPG(11)C. 765/2547, dated 16 April 2004; BOT Notification dated 2 April 2004</p>
7) Clarification on the One Presence Policy	<ul style="list-style-type: none"> – Commercial banks – Finance companies – Credit foncier companies 	<p>Deposit-taking financial institutions within the same business group and with no intention to or not qualified to establish a foreign bank branch or a commercial bank as a subsidiary of a foreign bank must submit detailed action plans in compliance with the One Presence Policy. Once approved by the Ministry of Finance, financial institutions must proceed within the proposed timeframe.</p>	-	<p>BOT Circular No. FPG(12)C. 1157/2547, dated 28 June 2004</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
8) Establishment of a treasury centre in Thailand		<p>Thai or multinational corporations with affiliates or business-related companies of three companies or more could seek permission to operate a treasury centre from the Minister of Finance through the BOT and acquire a status of juristic person in Thailand. The treasury centre was allowed to conduct foreign exchange businesses, engage in risk and liquidity management, and prepare financial statements for companies within the conglomerate.</p>	5 July 2004	BOT News No. 20/2547, dated 6 July 2004
<p>7. Financial assistance to priority economic sectors</p> <p>1) Financial assistance to chicken farmers affected by avian flu</p>	<ul style="list-style-type: none"> – Commercial banks – Industrial Finance Corporation of Thailand – Small and Medium Enterprise Development Bank of Thailand – Export and Import Bank of Thailand – Government Savings Bank – Bank for Agriculture and Agricultural Cooperatives 	<p>The BOT granted special financial assistance to chicken farmers by providing them with working capital through financial institutions at the interest rate of 0.01 per cent per annum and requiring that financial institutions charge chicken farmers no more than 2 per cent per annum on such loans extended for one year. Interested financial institutions were required to submit detailed proposals to the BOT by 20 February 2004.</p> <p>The BOT would agree to purchase promissory notes at face values on the conditions that the maturity date be within 360 days since the date the BOT agreed to purchase and be no later than 10 March 2005.</p>	-	BOT Circular No. FMOG (06)C. 375/2547, dated 10 February 2004

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
2) Financial assistance to chicken farmers affected by avian flu	– Commercial banks	The BOT provided financial assistance to chicken farmers by virtue of BOT regulations regarding the purchase of promissory notes in connection with the animal farming business, B.E. 2531, and amendments.	-	BOT Circular No. FMOG (06)C. 524/2547, dated 10 March 2004
3) Credit lines with promissory notes as collateral in connection with small and medium enterprises	<ul style="list-style-type: none"> – Commercial banks – Small and Medium Enterprise Development Bank of Thailand – Export and Import Bank of Thailand – Bank for Agriculture and Agricultural Cooperatives – Government Savings Bank – Finance companies 	Financial institutions intending to borrow in accordance with the regulations on borrowing and lending, whereby promissory notes in connection with small and medium enterprises were to be used as collateral, B.E. 2546, were required to notify the BOT and submit a proposal for credit extension by 20 August 2004.	-	BOT Circular No. FMOG (04)C. 1363/2547, dated 9 August 2004
4) Financial assistance to poultry farmers and poultry business entrepreneurs affected by avian flu	– Commercial banks	The BOT expanded the scope and duration of assistance as follows. The BOT provided financial assistance through commercial banks to poultry farmers, in addition to chicken farmers, who were affected by avian flu. For another year, until 10 March 2006, the BOT would purchase promissory notes with an interest rate not exceeding 2 per cent per annum.	4 November 2004	BOT Circular No. FMOG (04)C. 1887/2547, dated 4 November 2004

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
<p>1. Tax Measures</p> <p>1.1 Measures to support the establishment of Thailand as a regional energy centre as proposed by the Customs Department, the Excise Department and the Revenue Department</p> <p>1.2 Draft Custom Bill No... (B.E...) amending some sections to accommodate the changing environment of international trade and investment</p> <p>1.3 Tax measures to develop the capital market</p> <p>1) Extending the deadline of the corporate income tax rate reduction from 5 September 2004 to 31 December 2004</p> <p>2) Entitlement of tax-deductible investment for personal-income taxpayers in the Retirement Mutual Fund (RMF), the Provident Fund, and the Government Pension Fund (GPF). The tax deduction must not exceed either 15 per cent of annual assessable income or 300,000 baht. In addition, all types of assessable income invested in these mutual funds are now tax-deductible, whereas previously only certain types of assessable income were eligible. Furthermore, any employees holding investments for at least five years can now receive tax benefits. Previously only employees aged 55 years or more could benefit</p>	<p>Cabinet Synopsis</p> <p>Cabinet Synopsis</p> <p>Cabinet Synopsis</p>	<p>20 January 2004 27 January 2004</p> <p>17 February 2004</p> <p>27 April 2004</p>	<p>-</p> <p>-</p> <p>-</p>	<p>www.thaigov.go.th</p> <p>Select</p> <ul style="list-style-type: none"> - Cabinet Synopsis - Archive - Date

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
3) Tax privileges for investment in long-term equity				
1.4 Allowance of tax deductions to contributions whose purposes are for supporting social education, sports, parenting, and the underprivileged.	Cabinet Synopsis	22 June 2004	-	
1.5 Draft ministerial regulations on tax exemption No... (B.E...) (exemption of civil servants and members of Government Pension Fund who had retired under the early retirement programme from the personal income tax)	Cabinet Synopsis	6 July 2004	-	
1.6 Structural reform of automobile tax - New automobile tax schedules - Increase in automobile registration fee, license registration fee, and the annual automobile tax	Cabinet Synopsis	27 July 2004	-	www.thaigov.go.th Select - Cabinet Synopsis - Archive - Date
1.7 Measures to promote and support low-to-middle income earners as well as small enterprises as follows:	Cabinet Synopsis	26 October 2004	-	
1) Raising of the minimum level of assessable income after deducting expenditures and tax deduction from the personal income tax from the first 80,000 baht to the first 100,000 baht		-	1 January 2004	
2) Reduction of the corporate income tax rate for entrepreneurs whose paid-up capital does not exceed 5 million baht, from the progressive rate of 20 per cent for the first 1 million baht of net profit to 15 per cent. The tax rate for the remaining net profit remains unchanged.		-	1 January 2004	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
3) Expansion of the value added tax (VAT) exemption coverage to include small entrepreneurs whose annual income are less than 1.8 million baht, up from the previous limit of 1.2 million baht		-	1 April 2005	
1.8 Tax and fee structure to support the merger of financial institutions according to the Financial Sector Master Plan. In this respect, merger should be completed by 31 January 2006 and can be extended for six months until 31 July 2006.	Cabinet Synopsis	23 November 2004	-	
1.9 Measures to support the restructuring of non-performing loans (NLPs) by extending the deadline for: - Exemption of tax and deduction of registration fee - Exemption of tax from debt restructuring	Cabinet Synopsis	21 December 2004	-	www.thaigov.go.th Select - Cabinet Synopsis - Archive - Date
1.10 Measures to promote savings through exemption of the personal income tax from interest income on fixed deposits of at least one year maturity for savers who are at least 55 years old and have an annual assessable interest income not exceeding 30,000 baht	Cabinet Synopsis	21 December 2004	1 January 2005	
2. Expenditure Measures				
2.1 Draft Additional Budget Act B.E. 2547 B.E... with an additional central budget of five items totalling 135,500 million baht	Cabinet Synopsis	6 January 2004	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
2.2 Draft Royal Decree to financially support retired civil servants under the plans to improve and manage civil service management B.E...	Cabinet Synopsis	13 January 2004 21 September 2004 28 September 2004	-	
2.3 Strategic goals and measures to revise civil service salary and benefits 1) Increase of salary for all levels of civil servants by 3 per cent and a 2-step promotion for civil servants between the rank of 1 and 7 2) Budgeting of non-payroll benefit totalling 33,140 million baht (around 16,570 million baht for the first half of the fiscal year)	Cabinet Synopsis	9 March 2004	1 April 2004	
2.4 Draft Royal Decree on allowances for pensioners (No...) B.E... (increasing the allowances by 3 percent)	Cabinet Synopsis	27 April 2004	1 April 2004	www.thaigov.go.th Select - Cabinet Synopsis - Archive - Date
2.5 Draft Budget Act B.E. 2548 with a total budget expenditure of 1,200 billion baht	Cabinet Synopsis	4 May 2004 18 May 2004 25 May 2004	-	
2.6 Plans to develop public infrastructure within the next five years with a budget of 827,978 million baht and the following 3 strategies: 1) Strategy to support national competitiveness 2) Strategy to promote sustainable development 3) Strategy to promote good governance	Cabinet Synopsis	19 October 2004	-	
2.7 Draft Provincial Budget for FY2006 with the budget expenditure of 40,000 million baht	Cabinet Synopsis	21 December 2004	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
3. State Enterprise Measures				
<p>3.1 - Privatisation procedure for the Electricity Generating Authority of Thailand (EGAT) as well as its establishment as a public limited company.</p> <p>- Procedure for transforming the Communications Authority of Thailand (CAT) into a public limited company.</p>	Cabinet Synopsis	17 February 2004	-	
<p>3.2 Criteria concerning the privatisation of state enterprises are as follows:</p> <p>1) Distribution of stocks among the public through random selection</p> <p>2) State enterprise employees to receive shares worth eight times of their salary as of one day prior to the state enterprise's registration as a public company.</p> <p>3) In safeguarding the interest of the nation, consumers, and state enterprise employees, the government will hold share of the privatised state enterprises at a minimum of 50 per cent of their registered capital. With respect to the Electricity Generating Authority of Thailand and the Metropolitan Waterworks Authority, the minimum is set at 75 per cent.</p>	Cabinet Synopsis	7 April 2004	-	<p>www.thaigov.go.th</p> <p>Select</p> <ul style="list-style-type: none"> - Cabinet Synopsis - Archive - Date
<p>3.3 Investment budget of 51 state enterprises for the year 2005 set at 315.5 billion baht with a disbursement limit of 248.9 billion baht.</p>	Cabinet Synopsis	21 September 2004	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
3.4 Draft Regulations of the Ministry of Finance regarding the accounts and finances of state enterprises.	Cabinet Synopsis	30 November 2004	-	
3.5 Policy to support investment in state enterprises' projects and the privatisation of state enterprises.	Cabinet Synopsis	30 November 2004	-	
4. Local Government Measures				
4.1 Allocation of revenue to local administrative authorities with the stipulation that the allotted revenue be equal to 23.5 percent of the fiscal revenue in FY2005.	Cabinet Synopsis	10 February 2004	-	
4.2 Draft Action Plan for the decentralisation of fiscal policy to the local administrative authorities and draft action plan for transferring personnel to the local administrative authorities (revised in accordance with cabinet synopsis, 24 June 2003)	Cabinet Synopsis	2 March 2004	-	www.thaigov.go.th Select - Cabinet Synopsis - Archive - Date
4.3 Monetary reward for economy in expenditure by local administrative authorities. Economy in expenditure is measured as the difference between the central government's standard procurement price and the actual price in the contract signed by the local administrative authority. This difference in the prices will be divided equally between (1) the local administrative authority and (2) the relevant administrators and officials.	Cabinet Synopsis	28 September 2004	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
5. Other Measures				
5.1 Approval of the borrowing by the Energy Fund Administration Institute (public organization) in the amount of 63,000 billion baht from domestic financial institutions with the Ministry of Finance as guarantor.	Cabinet Synopsis	4 May 2004 24 August 2004 21 December 2004	-	
5.2 Establishment of the Fund for Improving the Structure of the Manufacturing Sector so as to increase national competitiveness with a yearly budget of 1,000 billion baht over 10 years for a grand total of 10,000 billion baht beginning in FY2005.	Cabinet Synopsis	20 July 2004	-	www.thaigov.go.th Select - Cabinet Synopsis - Archive - Date
5.3 Draft Regulations for the Office of the Prime Minister regarding the management of the special service division	Cabinet Synopsis	27 July 2004	-	
5.4 Draft Act on national health regarding National Health System Reform Office (HSRO)	Cabinet Synopsis	10 August 2004	-	
5.5 Measure to aid victims of the natural disaster in the six southern provinces	Cabinet Synopsis	28 December 2004	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
1. Agricultural Measures				
1.1 Securitization plan for rubber farms	Cabinet Synopsis	13 January 2004	-	
1.2 Measures for debt reduction and income enhancement for farmers	Cabinet Synopsis	20 January 2004 20 April 2004 25 May 2004 7 September 2004 16 November 2004	-	
1.3 Securitization project: Sea Food Bank Program	Cabinet Synopsis	24 January 2004	2004 - 2005	
1.4 Measures to relieve and resolve drought problem	Cabinet Synopsis	27 January 2004 3 February 2004 7 December 2004	-	
1.5 Measures to alleviate the impacts of the avian flu	Cabinet Synopsis	27 January 2004 10 February 2004 12 October 2004	-	
1.6 Plan to develop swine and all related products	Cabinet Synopsis	3 February 2004	-	www.thaigov.go.th
1.7 Strategy for pineapple sector	Cabinet Synopsis	2 March 2004	-	Select
1.8 Measures to alleviate the impacts of the flood problem	Cabinet Synopsis	9 March 2004, 1 June 2004, 19 October 2004, 14 December 2004	-	- News - Cabinet Synopsis - Archive - Date
1.9 Project promoting short-circled farm crop cultivation in lieu of second paddy crop in 2004	Cabinet Synopsis	23 March 2004	-	
1.10 Food safety measures	Cabinet Synopsis	30 March 2004	-	
1.11 Systematic solution to price problem of sugar and sugar cane	Cabinet Synopsis	20 April 2004	-	
1.12 Price setting for sugar and sugar cane	Cabinet Synopsis	27 April 2004, 22 June 2004, 16 November 2004	-	
1.13 Designation of promoted area for sugar cane farming	Cabinet Synopsis	11 May 2004	-	
1.14 Approval of budget supporting farmer institution on canned longan processing	Cabinet Synopsis	18 May 2004	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
1.15 Hom Mali rice strategy	Cabinet Synopsis	31 August 2004	-	
1.16 Integrating solution on water resource management	Cabinet Synopsis	19 October 2004	-	
1.17 Project promoting deer breeding for commercial purpose	Cabinet Synopsis	19 October 2004	-	
1.18 Measure to assist farmer on 2005 crop year	Cabinet Synopsis	26 October 2004	-	
1.19 Project for career developing and income enhancement for citizens on the fresh-water shrimp farming area in Pakpanang	Cabinet Synopsis	26 October 2004	-	
1.20 Approval of National Office of Rice	Cabinet Synopsis	2 November 2004	-	
1.21 Approval of Special Purpose Vehicle (SPV) to support agribusiness	Cabinet Synopsis	9 November 2004	-	
1.22 Project to promote cattle breeding	Cabinet Synopsis	9 November 2004	-	www.thaigov.go.th Select - News - Cabinet Synopsis - Archive - Date
1.23 Construction of water reservoirs outside irrigation area	Cabinet Synopsis	14 December 2004	-	
1.24 Project to support low interest loan for cow breeding and complete rice production in Pattalung and construction of palm oil extraction factory in Satun.	Cabinet Synopsis	28 December 2004	-	
2. International Trade Measures				
2.1 Agreements on Bilateral Payment Arrangement (BPA) between Thailand and Bangladesh and between Thailand and Russia	Cabinet Synopsis	20 January 2004 23 March 2004	-	
2.2 Agreement on Special Trade Privilege between Thailand and Sri Lanka	Cabinet Synopsis	3 February 2004	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
2.3 Draft Agreement on Free Trade Area under BIMST-EC (Bangladesh, India, Sri Lanka, Thailand Economic Cooperation). Free Trade Agreements between Thailand and India, Thailand and New Zealand, Thailand and Australia, and the ASEAN and China	Cabinet Synopsis	3 February 2004 10 August 2004 31 August 2004 14 September 2004 12 October 2004 16 November 2004	-	
2.4 Memorandum of Understanding between Thailand-China, Thailand-Brazil-Canada-Mexico-Sweden, and Thailand-Hungary	Cabinet Synopsis	10 and 17 February 2004 23 March 2004	-	
2.5 Establishment of the border economic zone in Chiang Rai	Cabinet Synopsis	2 March 2004	-	
2.6 Promotion for the establishment of joint-venture company for pineapple between Thailand, Indonesia and Philippines	Cabinet Synopsis	2 March 2004	-	www.thaigov.go.th
2.7 Basic agreement on the ASEAN Industrial Cooperation Scheme (AICO)	Cabinet Synopsis	7 April 2004	-	Select - News - Cabinet Synopsis - Archive - Date
2.8 Rationalization of the import duty structure for inputs used in the electrical appliance and electronic products.	Cabinet Synopsis	4 May 2004	-	
2.9 Accession of Singapore to the Agreement between China and Thailand on Accelerated Tariff Reduction under the Early Harvest Program	Cabinet Synopsis	1 June 2004	1 January 2005	
2.10 The economic partnership between Thailand and neighbouring countries and between Thailand and Japan	Cabinet Synopsis	7 and 28 September 2004	-	
2.11 Market expansion for fruits export	Cabinet Synopsis	12 October 2004	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
2.12 The construction of the bridge over the Golok River at Buketa to promote trade and tourism between Thailand and Malaysia	Cabinet Synopsis	12 October 2004	-	
2.13 Finance agreement between the European Union and Thailand under Small Projects Facility	Cabinet Synopsis	16 November 2004	-	
2.14 Inclusion of Nakornsrihammarat, Trang and Pattalung in the Indonesia-Malaysia-Thailand Growth Triangle: IMT-GT	Cabinet Synopsis	14 December 2004	-	
3. Industrial Measures				
3.1 SME promotion strategy	Cabinet Synopsis	13 January 2004	-	
3.2 Solution to shortage of steel supply	Cabinet Synopsis	2 March 2004	-	
3.3 Gasohol promotion strategy	Cabinet Synopsis	23 March 2004	-	www.thaigov.go.th
3.4 Revision of annual fee exemption for international standard certified firms	Cabinet Synopsis	30 March 2004	-	Select - News - Cabinet Synopsis - Archive - Date
3.5 Approval of loan for gasoline subsidy	Cabinet Synopsis	4 May 2004	-	
3.6 Budget approval to support national competitiveness strategy	Cabinet Synopsis	18 May 2004	-	
3.7 Energy saving measure	Cabinet Synopsis	8 June 2004	-	
3.8 Approval on revision of the drafted investment promotion act	Cabinet Synopsis	14 September 2004	-	
3.9 Measure for energy saving and efficient usage in industrial sector	Cabinet Synopsis	23 November 2004	-	
3.10 Measures promoting investment in industrial zone in the 3 south-border provinces (Pattani, Yala, and Nara Thiwat)	Cabinet Synopsis	14 December 2004	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
3.11 Drafted ministerial regulations on prohibition of CFCs usage in the production process	Cabinet Synopsis	28 December 2004	60 days after declaration in the government gazette	www.thaigov.go.th Select - News - Cabinet Synopsis - Archive - Date
4. Price Measures				
4.1 Fare adjustment of Cream-Red regular buses and Euro-2 airbuses	Resolution by the Central Land Transport Control Board	30 December 2003 1 May 2004	1 February 2004 1 May 2004	www.dlt.go.th
4.2 Electricity price adjustment (Ft) for the period of February - May 2004 and October 2004 - January 2005	Resolution by the Subcommittee on the Automatic Adjustment Mechanism	13 February 2004 12 October 2004	1 February 2004 1 October 2004	www.eppo.go.th
4.3 Cooking gas price adjustment	Resolution by the National Energy Policy Council	6 May 2004	7 May 2004	www.eppo.go.th
5. Labour Measures				
5.1 Measures to improve the potential of Thai labour for overseas employment opportunities, including the skill training and standard testing of Thai chefs	Cabinet Synopsis	13 January 2004	-	www.thaigov.go.th Select
5.2 Regulations on the set-up of hourly wage, promotion of employment opportunities, and tax incentives for private entities to hire students during non-schooling hours.	Cabinet Synopsis	27 January 2004 17 February 2004 9 March 2004 7 April 2004 27 April 2004	-	Select - News - Cabinet Synopsis - Archive - Date

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
5.3 The Ministry of Labour's measures to assist workers affected by the avian flu	Cabinet Synopsis	27 January 2004	January-May 2004	
5.4 Extra payments to civil servants working in Yala, Pattani and Nara Thiwat	Cabinet Synopsis	2 March 2004 17 August 2004	-	
5.5 Establishment of goals and strategies for the improvement in the efficiency and remuneration of the civil servants	Cabinet Synopsis	9 March 2004 30 March 2004 31 August 2004	-	
5.6 Plan to assist workers affected by drought in 2004	Cabinet Synopsis	16 March 2004	-	
5.7 Approval of Thai representatives to participate in the International Abilympics	Cabinet Synopsis	20 April 2004	-	
5.8 Guidelines for the management of foreign labour	Cabinet Synopsis	27 April 2004	-	www.thaigov.go.th
5.9 Drafted Royal Decree on living allowance for pensioners (living allowances for pensioners raised by 3 percent)	Cabinet Synopsis	27 April 2004	-	Select - News - Cabinet Synopsis - Archive - Date
5.10 Two Drafted Royal Decrees on the occupations and professions prohibited to foreign labour	Cabinet Synopsis	27 July 2004	-	
5.11 Drafted notification of the Ministry of Interior on granting residency status to alien workers in 2004	Cabinet Synopsis	24 August 2004	-	
5.12 Approval of the lump-sum disbursements for the Universal Health Insurance Scheme for FY2005-2006	Cabinet Synopsis	2 November 2004	-	
5.13 Adjustment of the minimum wage for 2005	Cabinet Synopsis	21 December 2004	1 January 2005	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
6. Service Measures				
6.1 Cooperation on Tourism in the Emerald Triangle among Thailand-Lao-Cambodia, Thailand-France, and Thailand-Ukraine	Cabinet Synopsis	2 March 2004 30 March 2004 27 April 2004	-	
6.2 Low Cost Airline Project by Thai Airways Co.Ltd.	Cabinet Synopsis	4 May 2004	-	
6.3 Announcement of the Special Zone for Sustainable Tourism	Cabinet Synopsis	25 May 2004	-	
6.4 Negotiation on the aviation and air transportation between Thailand-South Korea, Thailand-Sri Lanka, Thailand-Malaysia, Thailand-Maldives, and Thailand-Lao	Cabinet Synopsis	22June 2004 27July 2004 7 and 14 September 2004	-	
6.5 Promoting the provincial airports as centers for aviation to facilitate the tourism industry	Cabinet Synopsis	29 June 2004	-	www.thaigov.go.th
6.6 The Tourism Strategy during 2004-2008	Cabinet Synopsis	29 June 2004	-	Select
6.7 The project on mobile phone system CDMA 2000 - 1X in the provincials	Cabinet Synopsis	3 August 2004	-	- News - Cabinet Synopsis - Archive - Date
6.8 Establishment of the Real Estate Data Center	Cabinet Synopsis	17 August 2004	-	
6.9 Liberalization of air travel services under ASEAN	Cabinet Synopsis	31 August 2004	-	
6.10 Approval of the Bangkok Mass Transit System Project-the purple line (Bang Yai-Ratburana, and Bang Yai-Bang Sue section)	Cabinet Synopsis	28 September 2004	-	
6.11 Organization of logistic system to enhance Thailand's competitiveness	Cabinet Synopsis	9 November 2004	-	
6.12 Development of tourism to promote the border economic zone in Chiang Rai	Cabinet Synopsis	23 November 2004	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
6.13 Revision of the immigration and customs procedures for the foreign tourists	Cabinet Synopsis	14 December 2004	-	
6.14 Special policy to promote investment in industrial estates or industrial zone in 3 southern provinces (Pattani, Yala and Nara Thiwas)	Cabinet Synopsis	14 December 2004	-	www.thaigov.go.th Select - News - Cabinet Synopsis - Archive - Date
6.15 Donation for replenishment for the Asian Development Fund (ADF)	Cabinet Synopsis	28 December 2004	-	
7. Capital Market Measures				
7.1 Additional designation of juristic persons as institutional investors	SEC	23 January 2004	6 January 2004	
7.2 Merger and acquisition of mutual funds (Issue No. 2)	SEC	9 February 2004	16 February 2004	
7.3 Strategic plans for supervising and developing the capital market during 2004-2007	SEC	16 February 2004	-	
7.4 Guidelines on IPO allocation	SEC	16 February 2004	-	
7.5 Guidelines on quality improvement of balance sheet data of listed firms	SEC	16 February 2004	-	
7.6 Guidelines on regulating pension funds	SEC	16 February 2004	-	
7.7 Revised procedures for the preparation of turnover lists	SEC	27 February 2004	8 March 2004	www.sec.or.th
7.8 Rules on futures trading for registered agents, traders, and advisers	SEC	8 March 2004	16 March 2004	
7.9 Rules on capital management for futures trading	SEC	16 April 2004	1 May 2004	
7.10 Permission to sell newly issued derivative warrants (Issue No. 4)	SEC	16 April 2004	1 May 2004	
7.11 Permission to sell newly-issued derivative debentures (Issue No. 2)	SEC	16 April 2004	1 May 2004	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
7.12 Sales of foreign bonds and debentures in Thailand	SEC	25 May 2004	1 June 2004	
7.13 Assessing and reporting capital adequacy (Issue No. 9)	SEC	25 May 2004	1 June 2004	
7.14 Rules, conditions, and procedures for the establishment and management of mutual funds	SEC	10 June 2004	1 June 2004	
7.15 Designation of promissory notes that may be used as securities	SEC	15 June 2004	16 September 2004	
7.16 Permission to sell promissory notes, which are regarded as securities, and newly-issued short-term debentures	SEC	15 June 2004	16 September 2004	
7.17 Permission to sell newly-issued debentures (Issue No. 4)	SEC	15 June 2004	16 September 2004	
7.18 Promissory notes transactions by securities companies	SEC	15 June 2004	16 September 2004	
7.19 Rules, conditions, and procedures for trading securities that are bonds (Issue No. 8)	SEC	15 June 2004	16 September 2004	
7.20 Maintenance of capital adequacy (Issue No. 4)	SEC	3 August 2004	16 August 2004	
7.21 Rules, conditions, and procedures for lending for securities purchases (Issue No. 6)	SEC	3 August 2004	16 August 2004	
7.22 Rules, conditions, and procedures for the application and permission to sell newly-issued debentures to nonresident investors (Issue No. 4)	SEC	15 September 2004	16 November 2004	
7.23 Rules for operating a futures exchange centre and a futures clearinghouse	SEC	11 October 2004	11 October 2004	www.sec.or.th

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
7.24 Reservation, sale, and allocation of newly-issued securities (Issue No. 7)	SEC	18 October 2004	1 November 2004	
7.25 Permission to sell newly-issued securities in exchange for negotiable stock warrants	SEC	29 November 2004	16 December 2004	
7.26 Rules, conditions, and procedures for the sale of securities (Issue No. 7)	SEC	22 December 2004	16 January 2005	www.sec.or.th
7.27 Collateral requirements for futures trading in a futures exchange centre	SEC	22 December 2004	16 January 2005	