



**Thailand's Economic and Monetary Conditions
in 2005**

Monetary Policy Group

March 2006

Contents

Part 1	Summary Report	
	1.1 Executive Summary	1.1.1
	1.2 World Economic Conditions	1.2.1
Part 2	Economic Conditions in 2005	
	2.1 Agricultural Sector	2.1.1
	2.2 Manufacturing Sector	2.2.1
	2.3 Services	2.3.1
	2.3.1 Tourism and Hotel Industry	
	2.3.2 Real Estate	
	2.3.3 Trade	
	2.3.4 Telecommunications	
	2.4 Private Consumption	2.4.1
	2.5 Private Investment	2.5.1
	2.6 Labour Market Conditions	2.6.1
	2.7 Price Level	2.7.1
	2.8 International Trade and the Balance of Payments	2.8.1
	2.9 External Debt	2.9.1
	2.10 Fiscal Conditions	2.10.1
	2.11 Monetary Conditions	2.11.1
	2.12 Capital Market Developments	2.12.1
Part 3	Important Policies and Measures	
	3.1 Monetary Measures	3.1.1
	3.2 Fiscal Measures	3.2.1
	3.3 Other Measures	3.3.1

Part 1: Economic Performance in 2005

1.1 Executive Summary

The Thai Economy in 2005

In 2005, Thailand's economic growth slowed down from the previous year. The softer growth was due to several negative factors. Adverse domestic factors included the tsunami, which affected 6 Andaman coast provinces at the end of 2004, prolonged drought, unrest in the south and the return of avian influenza outbreak in poultry. Meanwhile, external pressure came from persistent high oil prices and tightening monetary condition around the world. Given the strong economic fundamentals coupled with an ability to respond well to those disturbances, overall growth and stability remained satisfactory. The engine of growth was primarily domestic demand, with support from improved export performance during the second half of the year.

Farm income from major crops grew by 20.2 per cent in 2005 compared with 17.0 per cent in 2004, mainly due to the upswing in prices. Meanwhile, major crop production contracted from last year as a result of drought in the northeast and flood in parts of the south. During the same period, manufacturing production expanded at a decelerating rate compared to the year before. The growth deceleration was more pronounced in production for domestic consumption as a result of weaker economic activities. Meanwhile, export production continued to expand well. As a result, the Manufacturing Production Index (MPI) increased by 9.2 per cent in 2005, slowing down from 11.5 per cent in the previous year. Nevertheless, capacity utilization continued to rise from 70.7 per cent in 2004 to average at 72.6 per cent. The service sector in general expanded at a slower pace from 2004 on account of lower number of foreign tourists and average hotel occupancy rate. This decline was due to the impact of the tsunami and unrest in the three southernmost provinces.

Private consumption rose by 4.0 per cent in 2005, decelerating from 2004. The slower growth was partly the result of persistent high oil prices, rising inflation as well as increasing interest rates, all of which

contributed to more cautious consumer spending; but the growth softening was more pronounced in durable consumption. Consistently, the Private Consumption Index (PCI) expanded less in 2005 than it did in 2004. Meanwhile, private investment growth decelerated to 11.0 per cent in 2005 from 16.3 per cent in 2004, with growth in construction investment tapering off in line the slowdown in real-estate activities. The overall investment growth moderation was reflected in the Private Investment Index (PII), which expanded at a declining pace from 2004.

On the external front, export value rose by 15.0 per cent in 2005, decelerating from 21.6 per cent in the previous year. Meanwhile, import value continued to expand at 26.0 per cent, a similar pace comparable to last year. The high import growth resulted mainly from accelerating imports of oil, iron and steel as well as non-monetary gold during the first half of 2005. As a result, the trade balance reverted from surplus in the previous year into a deficit of 8.6 billion US dollars. The services, income, and transfers account registered a smaller surplus in 2005, owing to the continued negative impact of the tsunami on tourism revenue. Consequently, the current account shifted from 7 years of back-to-back surpluses into a deficit of 3.7 billion US dollars in 2005. The deficit was particularly sizeable during the first half of the year, but the current account reverted back into surplus during the second half following better export performance and decelerating imports.

On the fiscal side, the government pursued a balanced budget in fiscal year 2005. Government revenue expanded at a higher rate than previously estimated in the budget document. The higher revenue came from the continued increase in tax revenue, particularly corporate income and value added taxes. Meanwhile, government expenditure rose in line with measures to accelerate the disbursement of funds. The cash balance for fiscal year 2005 recorded a surplus of 16.8 billion baht or 0.2 per cent of GDP.

Regarding monetary condition, short-term money market rates rose in tandem with

the monetary policy tightening by the Bank of Thailand (BOT)^{1/}. The effect of policy rate hikes was transmitted to financial institutions, as most commercial banks began to raise deposit and lending rates. In addition, the “One Presence” policy under the Financial Sector Master Plan, which caused finance companies to merge and upgrade to commercial bank status, resulted in the expansion of commercial banks’ private deposits and claims on the private sector. These claims included private credits as well as commercial banks’ holding of private-sector securities. Excluding the merger and upgrading effect, however, claims on the private sector expanded at a slower rate than in 2004 but picked up in the second half of 2005, in line with improving economic conditions.

In 2005, the baht averaged at 40.29 baht per US dollar, closed to 40.28 baht per US dollar in 2004. During the first half of 2005, the baht depreciated from both domestic and external pressure. However, the baht started to stabilize in the latter half of the year with support from (1) better-than-expected GDP growth in 2005 Q3, (2) regional currency appreciation, and (3) downward US dollar sentiment in line with market anticipation that US tightening cycle would soon end.

Measures of economic stability indicated a satisfactory outcome in 2005, both on the internal and external fronts. Headline inflation averaged at 4.5 per cent for the year while core inflation, averaging at 1.6 per cent, appeared to be well contained within the policy target range of 0-3.5 per cent. The unemployment rate and public debt as a percentage of GDP also remained at low levels. External stability also improved. Despite a deficit for the whole year, the current account balance stayed in surplus throughout the second half of 2005. At the same time, the level of external debt declined steadily while international reserves stood at a high level.

Economic Outlook for 2006

The Thai economy was expected to continue its growth momentum in 2006. The key underlying assumptions were: (1) comparable world economic growth with that of the previous year (2) crude oil price upswing moderated from last year (3) supply-side risks, for example drought and avian flu outbreak, ameliorated, and (4) public investment projects with well-defined work plans could be executed according to schedule. The main driver of growth was expected to be net exports. Export volume was expected to rise satisfactorily in line with the expansion of trading partners’ economies. On the other hand, import volume was expected to fall from an extraordinarily high level in 2005. Meanwhile, private investment should grow continuously, judging from high capacity utilization and robust corporate earnings. Public investment was also expected to grow at a similar rate as in 2005, in line with the measure to accelerate government budget disbursement.

Export value of goods was anticipated to decelerate in growth terms in 2006, in line with export price. Meanwhile, the value of exports of services, particularly tourism revenue, was expected to rebound after the impact from the tsunami dissipated. On the other hand, with uncharacteristically high imports in early 2005 and a slowdown of import price, import value of goods should moderate in growth terms from the previous year. As exports of goods and services outperformed imports, the current account balance in 2006 was expected to register a smaller deficit than in 2005.

Going forward, the principal external risk factors facing the Thai economy included trading partners’ economic performance, rising oil prices, the global imbalance and tightening monetary policy. The main domestic risk factors included weak consumer and business confidence and natural disasters.

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March 2006

^{1/} In 2005, BOT increased the policy rate six times in total, from 2.00 per cent per annum to 4.00 per cent per annum.

1.2 World Economy

The world economy continued to expand in 2005 albeit at a slower pace than in 2004. As of September 2005, the International Monetary Fund projected that the world economy would grow at 4.3 per cent in 2005, compared to 5.1 per cent in the previous year. During the first half of 2005, the world economy continued to be driven principally by the US with support from Asia, particularly China and India. However, Japan and Europe remained subdued on account of weak domestic private consumption. Persistent high oil prices were the main adverse disturbance to the global economy over the year.

Although US economic growth decelerated somewhat in the fourth quarter following hurricanes Katrina and Rita, US economy continued to expand at a considerably high rate during the second half of 2005 and remained the global economy's main engine. Meanwhile, Japan and the euro area started to recover. However, the global economy still faced the risk of persistent high oil prices.

US economy in 2005 continued to expand well, moderating slightly from the previous year. Supporting factors included more favourable employment conditions as well as high rate of return on assets and rising house prices, especially in the second half of the year. In addition, US economy proved to be resilient to the impact of hurricanes Katrina and Rita.

Nevertheless, the high current account deficit remained a concern while high oil prices still posed adverse risk to growth and significantly caused consumer confidence to deteriorate.

The **euro area** economy had recovered gradually in 2005. During 2005 H1, the economy did not show clear signs of recovery. The unemployment rate remained high, resulting in subdued domestic demand. Increasing oil prices also contributed to the slowdown in production. However, some countries in the euro area such as Germany started to recover, as evidenced by the decreasing unemployment

rate and pickup in manufacturing production. Overall, the euro area was expected to continue on a recovery path in 2006.

Japan's economy expanded consistently in 2005. Although the growth rate remained low in 2005 Q1, domestic demand started to recover and the export sector continued to improve. This improvement resulted in an economic upturn in the second half of 2005. Stronger private spending was in line with favourable employment conditions and consumer confidence. In 2005 Q4, the recovery in the business and banking sectors as well as firmer domestic investment helped bolster business confidence significantly. Although Japan was still in the state of deflation, the inflation rate started to rise with the economic expansion. As a result, the Bank of Japan (BOJ) might consider a shift toward a more tightening monetary policy stance in the near future.

In the Asian region, most countries experienced weaker growth in the first quarter of 2005, except China and India. The growth slowdown was essentially a result of high oil prices and weaker global demand particularly for electronics, which constituted much of Asia's exports. With the recovery of global demand for electronics and domestic private consumption in the second half of 2005, growth in most Asian economies picked up. Despite the risk of persistent high oil prices, Asian economies in general remained strong, notably China which continued to enjoy high growth.

The IMF expected **world trade volume** to increase by 7.0 per cent in 2005, decreasing from 10.3 per cent in the previous year as a result of a slowdown in the global economy from 2004, especially US.

World **inflation** rose with pressure mainly coming from persistent high oil prices. For developed countries, partly owing to efficient oil consumption, inflation pressure was moderate and inflation rates were well-contained. Japan, however, remained in deflation. Developing countries in Asia were significantly affected by high price of oil as

several countries began to remove domestic oil price subsidies. This subsidy removal resulted in considerable increases in inflation in 2005, with the inflation rates averaging at 4.2 per cent. Despite such inflationary pressure from rising oil prices, China's inflation remained low as a result of decreasing prices of goods.

World interest rates continued on an upward trend in 2005. US Federal Reserve raised the fed funds rate 8 times in 25-basis-point increments to 4.25 per cent per annum in December 2005 in order to maintain price stability and return interest rates to a neutral level. The ECB, having left the policy rate on hold at 2.0 per cent per annum during the last two years, decided to raise the refinancing rate by 25 basis points to 2.25 per cent per annum

on 1 December 2005 as inflation exceeded its medium-term target.

Meanwhile, the Bank of England had reduced the base rate by 25 basis points to 4.5 per cent per annum in August, in order to stimulate economic activities. For the Bank of Japan, the quantitative easing policy was maintained in order to keep its policy rate at effectively zero per cent to facilitate the economic recovery.

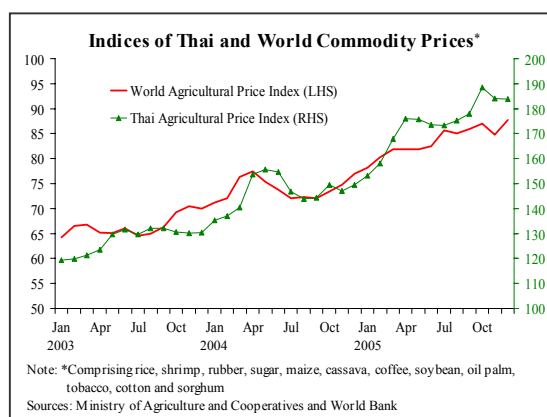
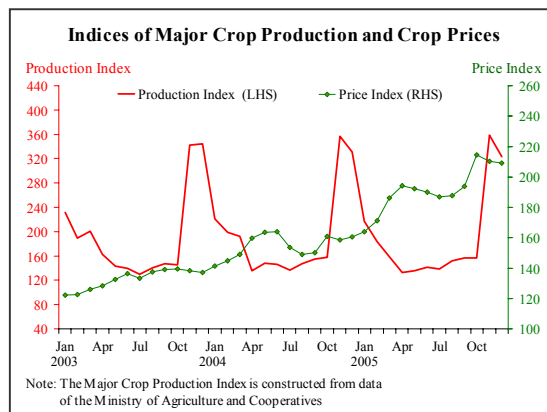
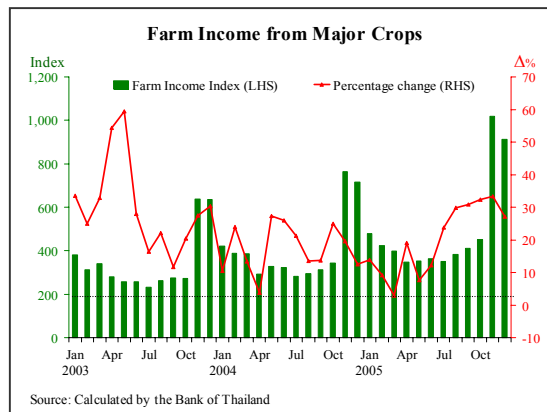
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Part 2: Economic Conditions in 2005

2.1 Agricultural Sector

Farm Income from Major Crops, Crop Production and Crop Prices

Δ%	2004	2005				
		Total	Q1	Q2	Q3	Q4
Farm Income	17.0	20.2	9.4	12.8	28.1	31.0
Crop Production	0.5	-3.1	-8.8	-4.6	2.0	-0.9
Crop Prices	16.4	24.1	19.9	18.3	25.6	32.2



Overall Developments in 2005

Farm income from major crop increased by 20.2 per cent, accelerating from 17.0 per cent in the previous year. The **major crop price index** increased by 24.1 per cent, accelerating significantly from the previous year. Favorable price increases were observed in rubber, cassava, paddy, and sugar cane in response to high domestic and world demand as well as decreased supply of major crop. The **major crop production index** declined by 3.1 per cent due to prolonged drought in 2004 and flood in late 2005, which adversely affected the production of sugar cane, cassava, maize and rubber.

Farm income from livestock increased as a result of significant gains in broiler and egg production following the recovery from the avian flu outbreak in 2004. In addition, the **price of livestock** increased by 13.2 per cent, owing to the increase in the price of poultry. Meanwhile, the price of swine decreased in response to the slowdown in demand for swine, as demand for poultry returned to its normal level.

Farm income from fishery declined following a sharp decrease in supply in line with increases in fishery cost on account of high oil prices. **Fishery price** increased by 5.0 per cent as a result of higher prices in all major fishery products, except crab and freshwater fish. In the second half of 2005, the price of shrimp increased partly because EU had granted a temporary tariff reduction for shrimp products from Thailand in August 2005. The same EU tariff reduction also resulted in a significant surge in exports of shrimp to EU.

World agricultural price (covering only 12 commodities particularly important to the Thai economy) increased by 13.0 per cent, mainly from the increase in

prices of rubber and sugar due to favourable demand and a fall in production.

Major Commodities

Paddy. Paddy production was close to that of 2004. The drought condition in late 2004 and the lack of rainfall in the first half of 2005 led to a decline in the production of paddy during the second crop season. First crop production, however, continued to expand following abundant rainfall in the second half of 2005. The price of paddy continued to rise following the increase in the government's guaranteed price.

In 2005, Thailand's export volume of rice amounted to 7.5 million metric tonnes, or 93,548 million baht in value terms, declining by 24.5 and 13.7 per cent, respectively, as a result of supply constraint. In addition, the relatively higher price of Thai rice had caused some importers to switch to Thailand's competitors. The decline in export volume outweighed the increase in export price, resulting in a fall in export value.

Cassava. The production of cassava decreased by 24.3 per cent due to drought. Although the lack of cassava's cuttings constrained the replanting of cassava, production for 2005/2006 harvest season was expected to rise by 13.1 per cent, as the drought was over and the high price of cassava, in line with favorable domestic and world demand, had induced farmers to expand cultivation area.

Rubber. The production of natural rubber decreased by 1.3 per cent as a result of the drought condition in the beginning of 2005 and flood in late 2005, which hindered rubber tapping. Rubber price continued to increase at a high rate of 17.1 per cent, compared to 18.4 per cent in 2004, due to a reduction in rubber production and favorable domestic and world demand.

Sugar cane. The production of sugar cane in 2005 dropped significantly by 29 per cent as a result of decreases in

cultivation area and yield per rai. This was because of the prolonged drought effect in the first half of 2005 as well as the increase in transportation cost. In addition, the preliminary sugar cane price of the 2004/2005 harvest season was unfavorable and thus encouraged farmers to switch to other crops.

Poultry. Although the avian flu outbreak reappeared in 2005, the impact was less severe than the previous year because consumers had better information about the flu. Additionally, producers had shifted to the closed evaporative chicken farming system and switched from exporting frozen fowls to prepared fowls, which resulted in continuous increase in exports.

Shrimp. Shrimp production was close to that of 2004 after the tsunami at end- 2004 destroyed much of the shrimp hatcheries. Other factors included the unfavourable price of shrimp in the first half of 2005 as well as the decrease in production from flood in the south during the second half of 2005. However, since EU granted a temporary reduction on tariff for shrimp products from Thailand on 1 August 2005, exports of Thai shrimp had grown significantly while the price of shrimp had also adjusted upward.

Prospects in 2006

Farm income from major crop was expected to continue rising as a result of both production and price factors. **Production** of rice, rubber and cassava was expected to rise due to strong demand and high prices, which induced farmers to increase cultivation area. Additionally, the favourable climate condition and water supply, evidenced in an increase in water level in all major reservoirs in January 2006, also supported production. **Price of major crops**, especially rubber and cassava, was expected to increase in line with domestic and world demand.

Price of livestock was expected to decline due to the large increase in poultry and egg production following the change in production method as well as high prices in 2004. On the other hand, **the price of fishery products**, particularly the price of shrimp, was expected to increase, as shrimp benefited from strong world demand and the special tax privileges that EU returned to Thailand since 1 January 2006.

Overall, **the price of major agricultural commodities** would continue to expand at a somewhat slower rate in line with major crops and fishery, while the price

of livestock was expected to contract slightly.

The world agricultural price (covering only the 12 commodities particularly important to the Thai economy) was expected to continue rising from high world demand, particularly prices of rubber and sugar. In addition, shrinking supply of sugar cane for sugar production was also anticipated due to an unfavourable climate condition and increasing use of sugar cane in ethanol production.

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Major Crop Production, Trade, and Consumption^{1/}

(Unit: Million tonnes)

Thai Crops	2001/02	2002/03	2003/04	2004/05 ^{P/}	Δ%	2005/06 ^{E/}	Δ%
Paddy	26.52	27.99	29.47	28.54	-3.2	29.91	4.8
First crop	20.90	21.57	23.14	22.65	-2.1	23.39	3.3
Second crop ^{2/}	5.62	6.43	6.33	5.89	-7.0	6.52	10.7
Rubber	2.56	2.63	2.86	3.01	5.0	2.97	-1.3
Maize	4.36	4.09	4.18	4.22	0.9	3.89	-7.8
Cassava	16.87	19.72	21.44	16.94	-21.0	19.16	13.1
Sugarcane	62.64	77.56	67.92	52.24	-23.1	46.96	-10.1
Mungbean	0.24	0.22	0.18	0.16	-10.4	0.15	-3.0
Soybean	0.26	0.26	0.23	0.22	-5.6	0.22	1.6
Oil palm	4.10	4.00	4.90	5.18	5.7	5.00	-3.5
Coffee	0.05	0.05	0.06	0.06	-3.4	0.05	-23.2
World Crops	2001/02	2002/03	2003/04	2004/05 ^{P/}	Δ%	2005/06 ^{E/}	Δ%
Grains							
Production	1,872.0	1,818.8	1,858.8	2,037.0	9.6	1,981.8	-2.7
Trade	241.2	241.7	234.3	242.7	3.6	236.9	-2.4
Rice (milled)							
Production	399.1	377.5	391.4	402.2	2.8	406.9	1.2
Trade	27.8	27.6	27.1	28.3	4.3	26.1	-7.6
Maize							
Production	598.9	601.7	623.0	708.3	13.7	683.5	-3.5
Trade	74.5	78.0	79.1	75.8	-4.2	75.4	-0.6
Soybean							
Production	185.1	197.0	186.8	215.3	15.3	223.0	3.6
Trade	53.4	61.2	55.9	65.2	16.6	66.8	2.6
Rubber							
Production	7.2	7.5	8.0	8.7	8.4	9.0	3.1
Consumption	7.3	7.6	8.0	8.5	6.2	8.9	4.1

Note: P = Preliminary

E = Estimated

1/ Estimated as of December 2005

2/ Second crop production of 2005/2006 is the production obtained during 1 January - 31 December 2006.

Source: Office of Agricultural Economics

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

LMC Commodity Bulletin, December 2005

Thai Farm Prices

(Unit: Baht/tonne)

	2004	2005				
		Year	Q1	Q2	Q3	Q4
Farm Price Index* (1995 =100)	146.5	173.9	159.7	175.1	175.5	185.5
Δ%	14.8	18.7	16.1	13.2	21.0	24.7
Crop Price Index*	154.5	191.7	173.9	192.2	189.5	211.4
Δ%	16.4	24.1	19.9	18.3	25.6	32.2
Hom Mali Paddy	8,255	7,680	7,719	7,771	7,640	7,589
Δ%	10.4	-7.0	-12.8	-14.1	0.3	1.1
Paddy Class 1 (5%)	5,585	6,662	6,484	6,675	6,710	6,779
Δ%	9.4	19.3	26.5	25.4	18.0	9.3
Rubber	44,567	52,190	41,544	47,809	59,808	59,599
Δ%	18.4	17.1	-2.1	0.1	32.6	38.7
Maize	4,971	4,874	4,981	4,889	4,889	4,738
Δ%	11.0	-1.9	19.1	-22.1	0.6	3.7
Cassava	950	1,352	1,394	1,392	1,333	1,290
Δ%	9.1	42.3	81.8	60.2	26.8	15.9
Livestock Price Index*	130.8	148.1	142.2	153.1	152.7	144.4
Δ%	19.3	13.2	20.9	5.9	13.6	14.0
Fishery Price Index*	136.5	143.4	132.1	143.0	153.9	144.5
Δ%	5.8	5.0	-1.5	2.1	12.4	7.0
Wood Price Index*	113.7	115.1	114.6	114.6	114.6	116.6
Δ%	4.5	1.2	3.2	0.0	0.0	1.8

Note: *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*

(Unit: US dollar/tonne)

	2004	2005				
		Year	Q1	Q2	Q3	Q4
World Agricultural Prices* (1995 = 100)	74.0	83.6	80.1	82.1	85.5	86.6
Δ%	11.1	13.0	9.4	8.7	18.5	15.3
Rice 5%	238	286	290	292	282	282
Δ%	20.2	20.4	31.0	24.8	19.8	8.1
Shrimp	10,221	10,338	10,296	10,472	10,279	10,307
Δ%	-10.7	1.1	-5.6	-3.1	8.0	6.7
Rubber	1,280	1,478	1,241	1,361	1,651	1,658
Δ%	21.2	15.5	-3.1	0.4	31.7	34.8
Sugar	158	218	196	193	220	263
Δ%	1.2	37.9	47.4	32.1	28.9	43.8
Cassava	126	138	147	140	135	132
Δ%	12.5	10.2	19.4	24.0	5.5	-4.8
Maize	112	99	97	96	102	100
Δ%	6.1	-11.8	-20.9	-25.0	-0.4	5.8
Oil palm	471	422	413	422	415	438
Δ%	6.2	-10.3	-21.2	-15.2	-4.0	2.2

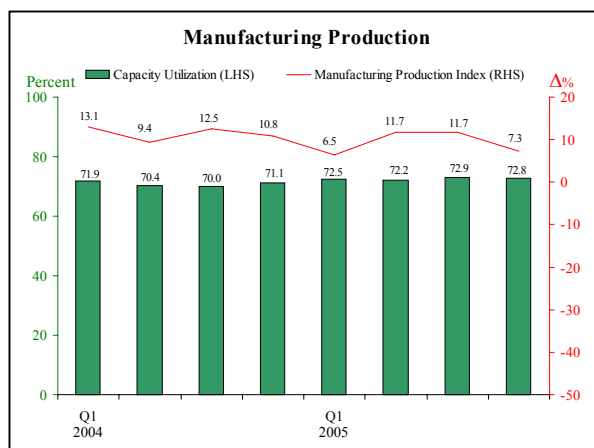
Note: * Only 12 commodities particularly important to the Thai economy are included, namely, rice, shrimp, rubber sugar, maize, cassava, coffee, soybean, oil palm, tobacco, cotton and sorghum.

Δ% represents percentage change from the same period last year

P = Preliminary

Source: The World Agricultural Price Index is constructed from World Bank's data, except cassava price is constructed from The Thai Tapioca Trade Association data

2.2 Manufacturing Sector



Manufacturing production in 2005 expanded at a decelerated rate compared to last year. The slowdown of production in domestic-oriented sectors was particularly pronounced, consistent with weakened economic conditions, while the production in export-oriented sectors continued to grow favourably.

Manufacturing Production Index¹ (MPI) grew by 9.2 per cent in 2005, moderating from 11.5 per cent in the previous year. The slowdown was due to increases in oil price, interest rate and production cost, as well as intensified competition both from domestic and foreign producers.

Capacity utilization rate¹ of the manufacturing sector averaged at 72.6 per cent in 2005, increasing from 70.7 per cent recorded in the previous year.

The sectors for which production was either lower or decelerated from the previous year included:

Leather and leather products.

Production was lower owing to shortage of high quality raw material as well as loss of market share to products from China, which had lower production cost. Consequently, this sector's capacity utilization rate declined from 61.2 per cent in 2004 to 55.0 per cent in 2005.

Tobacco.

The anti-smoking campaign, especially the new measure that prohibited cigarette displays at sale points, as well as the excise tax increase from 75 to 79 per cent of ex-factory prices contributed to a decline in tobacco production. Capacity utilization rate reduced from 60.7 per cent in 2004 to 57.6 per cent in 2005.

Iron and steel products. During the first half of 2005, production expanded from the same period last year when production was low due to the temporary removal of anti-dumping measures

Manufacturing Production Index*
(Percentage change)

Industry	Weight 2000	2003	2004	2005 ^P		
				H1	H2	Year
Textiles	12.23	4.7	6.6	2.9	2.0	2.4
Electronics	10.31	40.7	31.4	40.0	39.3	39.6
Petroleum Products	9.48	4.4	8.4	2.2	-2.8	-0.4
Vehicles and Equipment	6.85	32.5	20.4	2.1	10.3	6.3
Food	6.82	16.5	-3.7	-1.9	6.8	1.7
Beverages	5.11	19.1	5.2	6.0	-0.5	2.8
Electrical Appliances	5.05	7.1	8.8	1.5	2.2	1.8
Leather and Leather Products	2.79	-17.3	16.8	-8.6	-12.2	-10.2
Chemical Products	2.36	4.7	3.8	0.0	7.1	3.6
Iron and Steel Products	2.21	7.2	10.4	6.4	-12.7	-3.5
Construction Materials	1.84	-2.2	10.5	14.2	8.5	11.3
Others	10.62	4.6	3.3	6.7	2.3	4.4
Total *	75.68	13.9	11.5	9.0	9.4	9.2

Note: *Covering 76 products with 75.7 per cent of the overall value added in the manufacturing sector
P = Preliminary data
Source: BOT surveys

Capacity Utilization*
(Percentage change)

Industry	Average 1995-1996	2003	2004	2005 ^P		
				H1	H2	Year
Electronics	77.1	78.0	65.0	64.4	69.4	66.9
Petroleum Products	88.6	78.9	85.5	84.7	85.6	85.2
Vehicles and Equipment	74.7	69.3	77.7	72.4	79.5	75.9
Beverages	69.0	48.4	60.1	67.6	65.5	66.5
Electrical Appliances	87.1	56.5	61.5	75.4	79.9	77.7
Food	40.4	56.6	54.1	59.4	48.5	54.0
Leather and Leather Products	-	52.4	61.2	62.1	47.8	55.0
Chemical Products	91.4	95.9	99.5	96.4	103.8	100.1
Iron and Steel Products	58.1	69.8	68.8	65.7	55.1	60.3
Construction Materials	87.9	65.0	71.1	79.1	77.1	78.1
Pulp and Paper Products	77.6	89.8	87.4	93.3	92.7	93.0
Rubber and Rubber Products	73.1	65.3	61.3	65.1	69.5	67.3
Others	81.8	66.5	69.4	69.1	68.7	68.9
Total *	76.7	68.9	70.7	72.3	72.8	72.6

Note: *Covering 69 products with 59.1 per cent of the overall value added in the manufacturing sector
P = Preliminary data
Source: BOT surveys

¹ In December 2005, BOT had improved MPI and capacity utilization rate to reflect additional data from surveys as well as exclusion of the capacity data of those firms, which had not produced for a long time, from the calculation.

that took place in the first half of 2004. However, overall production in 2005 declined from 2004. The slowdown in the second half of 2005 was due to softening demand in the construction sector, greater volatility of global steel prices as well as considerable inventory accumulation earlier. Capacity utilization rate in this sector declined from 68.8 per cent in 2004 to 60.3 per cent in 2005.

Petroleum. Production declined slightly from the previous year as some plants were closed for maintenance at the beginning as well as toward the end of the year. Capacity utilization rate averaged at 85.2 per cent, close to 85.5 per cent in 2004.

Vehicle and transportation equipment. Despite a slight deceleration, production continued to expand satisfactorily by 6.3 per cent, in line with rising demand for commercial cars both from domestic and foreign markets. Meanwhile, production of passenger cars declined as a result of higher oil price and fewer new car models being introduced during the year. Capacity utilization rate averaged at 75.9 per cent, declining from 77.7 per cent in 2004.

Textiles. Production increased by 2.4 per cent, decelerating in growth terms from the previous year. Upstream production of synthetic fiber and spinning contracted because some domestic apparel producers switched to imported raw materials, which were cheaper and served specific production need. Meanwhile, downstream production such as apparel continued to expand well, benefiting from safeguard measures imposed on Chinese textile exports to US and EU, which started in July 2005.

Electrical appliances. Production, most of which was meant for exports, declined from the previous year. In particular, production of television sets slowed down in line with reduced external demand as well as changes in consumer's preference to higher quality products. Overall capacity utilization rate increased from 61.5 per cent in 2004 to 77.7 per cent in 2005.

Nevertheless, there are several sectors in which production accelerated in 2005, particularly:

Electronics. Production growth rate accelerated, particularly in the case of hard disk drives, owing mainly to strong external demand. Meanwhile, production of integrated circuits (IC) continued to grow favourably even at a more moderate growth rate. Overall capacity utilization rate rose to 66.9 per cent from 65.0 per cent in 2004.

Construction materials. Production expanded well in 2005, especially during the first half of the year, as a result of healthy domestic demand associated with public infrastructure projects. However, during the second half of 2005, production decelerated in line with the slowdown in construction activities, both in public and private sectors. Meanwhile, cement exports continued to expand favourably, owing to robust demand from US, Vietnam and Bangladesh. The sector's capacity utilization rate stood at 78.1 per cent, up from 71.1 per cent in 2004.

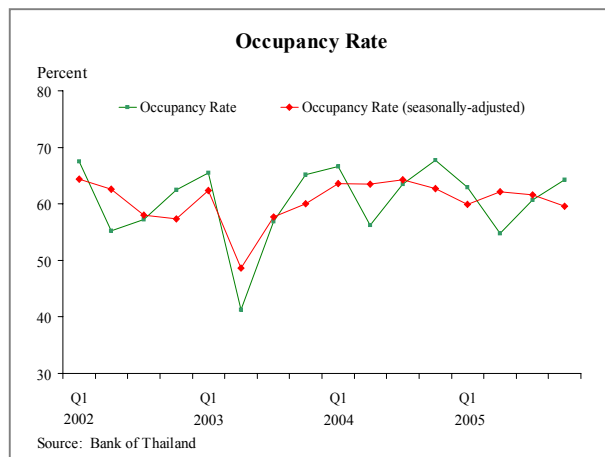
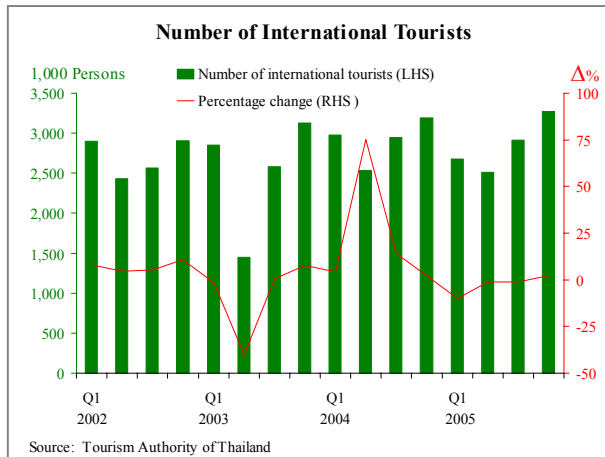
Food. Production improved from 2004 especially during the second half of the year, owing mainly to higher production of canned seafood, which benefited from EU decision to reduce tariff on fishery imports to the GSP rate starting from 1 August 2005. Capacity utilization rate stood at 54.0 per cent, close to the rate in 2004.

Rubber and rubber products. Production accelerated in response to incentive from higher rubber prices. Capacity utilization rate increased slightly to 67.3 per cent, from 61.3 per cent in 2004.

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2.3 Services

2.3.1 Tourism and Hotel Industry



International Tourists Classified by Nationality

Country	$\Delta(\%)$		Market Share (%)	
	2004	2005	2004	2005
	Year	Year	Year	Year
East Asia	21.6	-7.6	52.2	49.9
- China	21.1	5.7	7.6	8.3
- Japan	16.6	-1.1	12.0	12.3
- Korea	26.4	-15.0	8.7	7.7
Europe	13.1	-0.5	26.7	27.4
USA	21.9	0.0	7.8	8.1
Others	30.7	6.7	13.3	14.6

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

Source: Tourism Authority of Thailand

(Based on number of tourists arriving at Donmueng and Phuket International Airports)

The tsunami that damaged the six Andaman coast provinces at the end of 2004 posed a sizable impact on the tourism industry. Together with prolonged unrest in the three southernmost provinces, it caused the number of tourists to decline in 2005. The decline was especially pronounced in 2005 Q1, with the number of foreign tourists falling by 10.1 per cent from the previous year. Nevertheless, gradual recovery was evident in the following quarters.

Tourism activities in the south were relatively sluggish due to various negative factors, such as (1) the tsunami in the Andaman coast provinces (2) ongoing unrest in the three southernmost provinces (3) the bombing in Hat Yai district in the province of Songkhla, and (4) severe flood in several southern provinces. These factors had an unfavourable impact on the number of tourists in the south, which was down by 27 per cent from 2004.

For the year 2005, the number of foreign tourists totalled 11.4 million, down by 2.5 per cent year-on-year. The hotel occupancy rate averaged at 60.6 per cent, down from 63.5 per cent in the previous year. The decline in the occupancy rate limited the average room rate increase to only 3.9 per cent this year. Overall, foreign revenue from tourism in 2005 amounted to 406.5 billion baht, a 0.7-per-cent increase from 2004.

Inbound tourist statistics in terms of country of origin in 2005 did not show significant change from 2004. Tourists from East Asia still took up the largest share of foreign tourists to Thailand at 49.9 per cent, followed by those from Europe and the US, which accounted for 27.4 and 8.1 per cent, respectively.

Tourism activities in all regions of Thailand were expected to improve in 2006, especially in the tsunami-hit area. In addition, the continued collective effort of government

and private agencies to promote tourism in Thailand would help give the industry a boost.

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Tourism Indicators

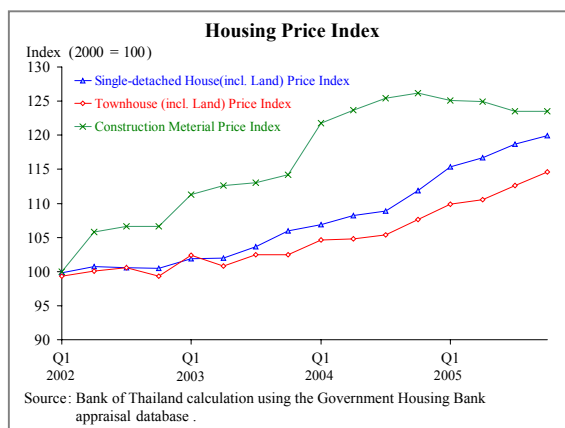
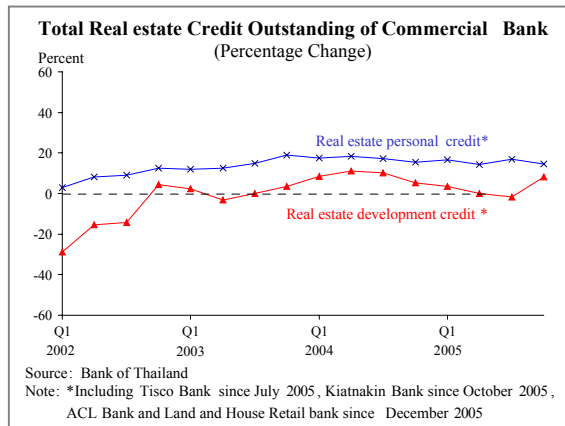
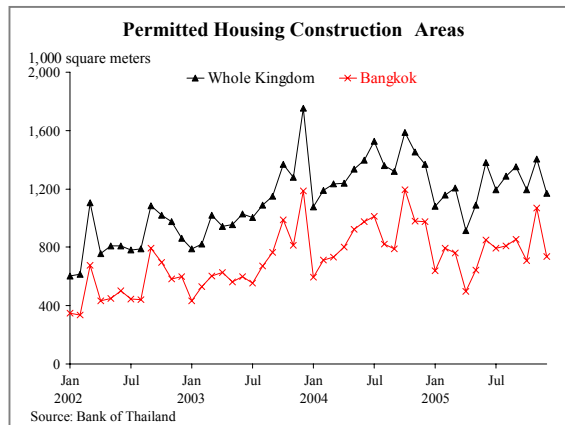
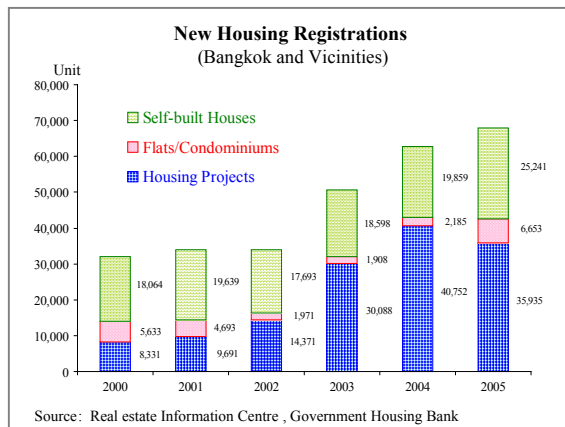
	2004 Year	2005 ^P Year	2005			
			Q1	Q2	Q3 ^P	Q4 ^P
1. Number of foreign tourists (million persons)	11.7	11.4	2.7	2.5	2.9	3.3
Δ%	16.5	-2.5	-10.1	-1.2	-1.1	2.4
2. Income from tourism (billion baht)	403.6	406.5	99.3	88.1	98.7	120.4
3. Occupancy rate (percent)	63.5	60.6	62.9	54.7	60.7	64.3
4. Room rates (baht)	1,238	1,287	1,378	1,197	1,187	1,386

Notes: ^P = Preliminary data

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

Source: Tourism Authority of Thailand and Bank of Thailand

2.3.2 Real Estate



Overall Conditions in 2005

In 2005, overall real estate activities slowed down from the previous year in line with slowing demand, mainly as a result of higher oil prices and rising interest rates. Faced with these challenges, potential home buyers on average took longer time to make decisions. In a different financial environment, some switched to housing types that suited their purchasing power, for example, small condominium units in the city that located close to work with convenient transportation to save on commuting expenses. As a result, the number of newly completed and registered condominium units in Bangkok and its greater metropolitan area increased significantly in 2005. In addition, outstanding mortgage loans continued to expand, as most home buyers relied on credits from financial institutions to finance their purchases.

Meanwhile, real estate developers also adapted to higher production cost. Some developers postponed project launches to better assess market outlook. New housing units available in 2005 tended to be smaller in size, reflecting declining consumers' purchasing power. With more conservative commercial bank credit extension to housing development projects, commercial bank's outstanding loans to real estate developers decelerated in growth terms from 6.4 per cent in 2004 to only 0.4 per cent in 2005. These figures included outstanding loans at non-bank financial institutions which had upgraded into commercial banks in 2005. However, without the adjustment of past data, outstanding credits would have risen by 8.3 per cent owing to the inclusion of credits extended by the three newly established commercial banks during the fourth quarter of 2005.

In 2005, the single detached house and townhouse price indices (including land) rose by 8 per cent and 6 per cent, respectively,

reflecting the increase in land price, construction cost and wages.

Outlook in 2006

The real estate market was expected to decelerate further during the first half of 2006, owing to rising inflationary pressure. Nevertheless, during the second half of 2006, real estate activities should improve as inflation was expected to moderate. In

addition to the projects postponed from 2005, new supply of medium- to low-price housing units should become available, particularly condominium units located along the existing sky-train routes as well as proposed new routes. House price growth was expected to moderate from the previous year due to rising competition from low-priced public housing projects.

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Real Estate Indicators

	2004	2005				
		Year	Q1	Q2	Q3	Q4
Land Transaction Value ^{1/} (Million Baht)	694,339	614,837	140,649	152,086	160,989	161,113
Δ%	-8.9	-11.5	11.2	-0.8	-14.9	-28.5
Juristic Act and Right Registration Fee 2% ^{2/} (Million Baht)	10,619	11,750	2,704	2,889	3,004	3,152
Δ%	22.0	10.7	24.5	7.5	4.2	9.6
Juristic Act and Right Registration Fee 0.01% ^{3/} (Million Baht)	16.3	2.7	0.5	0.8	1.1	0.3
Δ%	-50.1	-83.3	-69.6	-59.5	-76.1	-95.7
Number of Land Transactions (Unit)	850,116	903,451	219,209	232,669	227,353	224,220
Δ%	-4.1	6.3	11.2	7.9	4.3	2.2
Permitted Construction Areas (1,000 square meters)	22,698	19,633	4,727	4,611	5,360	4,936
Δ%	22.2	-13.5	-2.4	-22.3	-6.2	-20.5
- Permitted Housing Construction Areas Municipality area (1,000 square meters)	16,111	14,447	3,444	3,385	3,836	3,782
Δ%	22.0	-10.3	-1.8	-14.8	-8.8	-14.4
- Permitted Housing Construction Areas Bangkok area (1,000 square meters)	10,518	9,162	2,197	1,994	2,457	2,514
Δ%	26.2	-12.9	7.6	-26.2	-6.5	-20.1
New Housing Registrations (Bangkok and Vicinities) (Unit)	62,796	67,829	16,709	15,691	17,698	17,731
Δ%	24.1	8.0	40.0	10.9	11.3	-14.8
- Housing Projects	40,752	35,935	9,396	8,411	9,793	8,335
- Flats/Condominiums	2,185	6,653	1,656	1,252	1,346	2,399
- Self-built Houses	19,859	25,241	5,657	6,028	6,559	6,997
Cement Sale (1,000 Metric tons)	27,191	28,966	8,391	7,135	6,802	6,638
Δ%	12.2	6.5	17.6	8.2	3.1	3.3
Single-detached House Price Index (Including Land) (2000 = 100)	109.0	117.7	115.4	116.7	118.7	119.9
Δ%	5.4	8.0	7.9	7.8	9.1	7.2
Town House Price Index (Including Land) (2000 = 100)	105.6	111.9	109.9	110.5	112.6	114.6
Δ%	3.5	6.0	5.1	5.4	6.8	6.5
Construction Material Price Index (2000 = 100)	124.3	124.3	125.1	124.9	123.5	123.5
Δ%	10.2	0.0	2.7	1.0	-1.5	-2.1

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

P = Preliminary

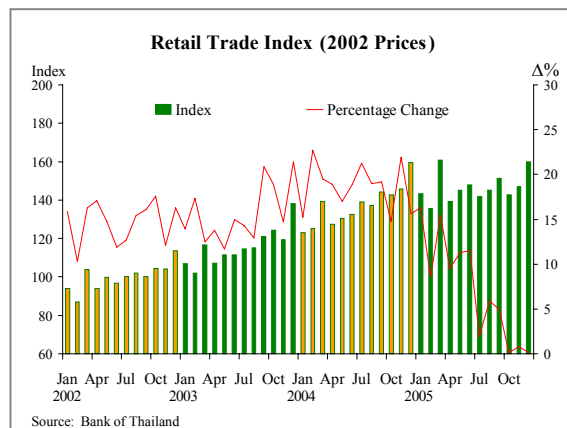
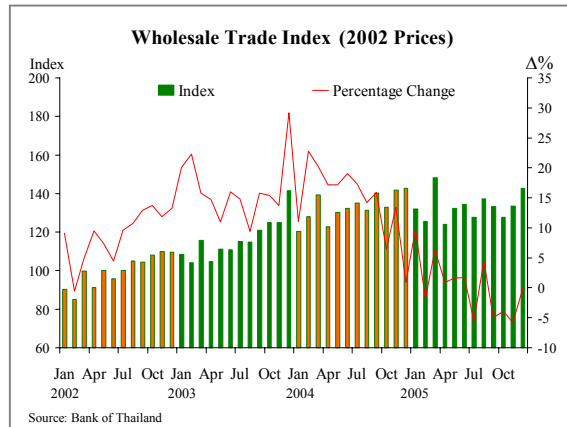
^{1/} Regarding the estimation for overall land transactions nationwide, the Bank of Thailand derives the figures from the amount of the Juristic Act and Right Registration Fee, separately classified into 2 per cent and 0.01 per cent categories.

^{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 (B.E. 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



Trade sector's activities slowed down in 2005 in line with falling consumers' purchasing power, which was due mainly to higher retail oil prices and rising inflation. Meanwhile, producers could pass only a fraction of higher production costs through to consumers, as they attempted to maintain market shares amid intense competition. Trade activities related to construction and durable goods, especially in household electrical appliances, decelerated significantly while necessities decelerated only slightly. Nevertheless, larger-scaled producers were able to better cope with higher costs of production.

Trading sector's outlook for 2006 was expected to improve in line with easing inflationary pressure. Additional factors supporting the improving outlook were better expected agricultural production than that in 2004, which suffered from drought, satisfactory expansion of manufacturing production and a gradually improving tourism industry.

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	2004	2005 ^E	2005			
			Q1	Q2	Q3	Q4 ^E
Wholesale Trade Index	133.1	133.2	135.3	130.2	132.7	134.6
$\Delta\%$	14.2	0.1	4.7	1.4	-2.1	-3.2
Retail Trade Index	137.2	146.7	146.6	144.1	146.1	149.8
$\Delta\%$	18.6	6.9	13.5	10.8	4.3	0.3

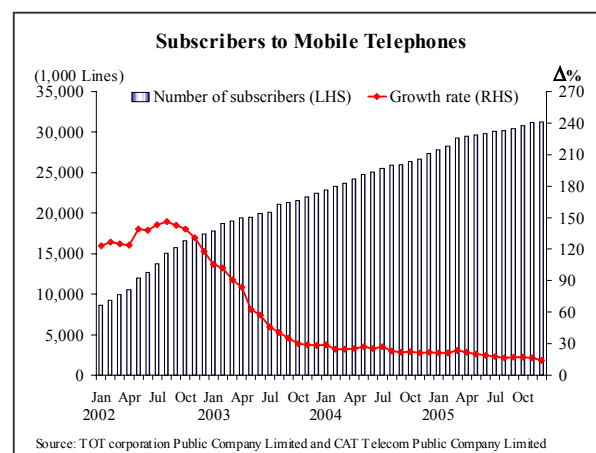
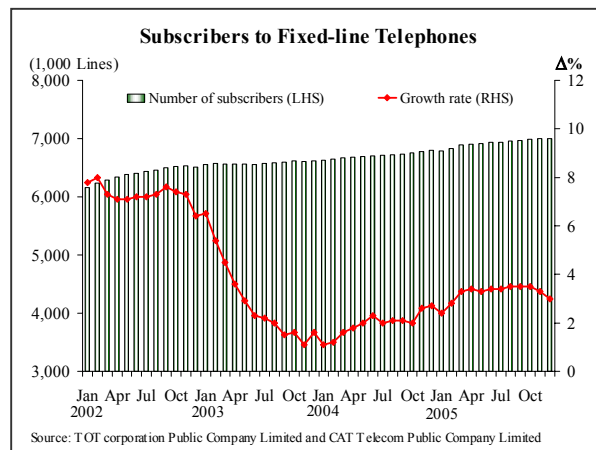
Notes: P = preliminary

E = Estimated

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

Source: Bank of Thailand

2.3.4 Telecommunication sector



Telecommunication Services

(Million Lines)	2004	2005				
		Year	Q1	Q2	Q3	Q4
Fixed-line Telephones ^{1/}	6.8	7.0	6.9	6.9	7.0	7.0
Δ %	2.7	3.0	3.3	3.4	3.5	3.0
Mobile Phones ^{1/}	27.4	31.3	29.3	29.8	30.4	31.3
Δ %	22.0	14.3	23.4	19.0	17.2	14.3

Note: ^{1/} Data as of end-period

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

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

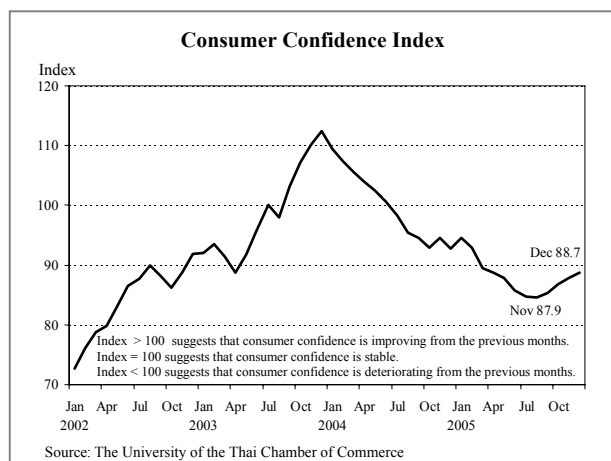
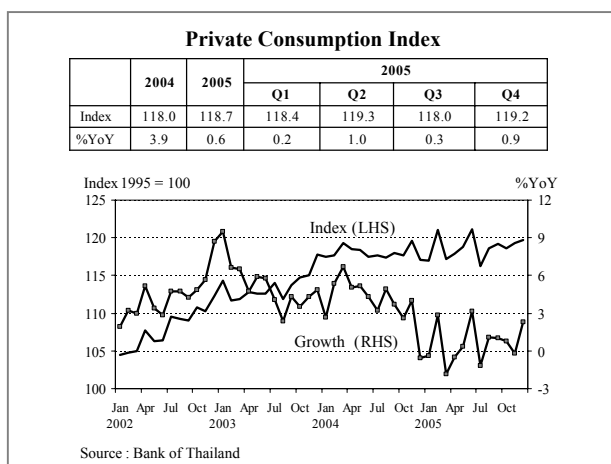
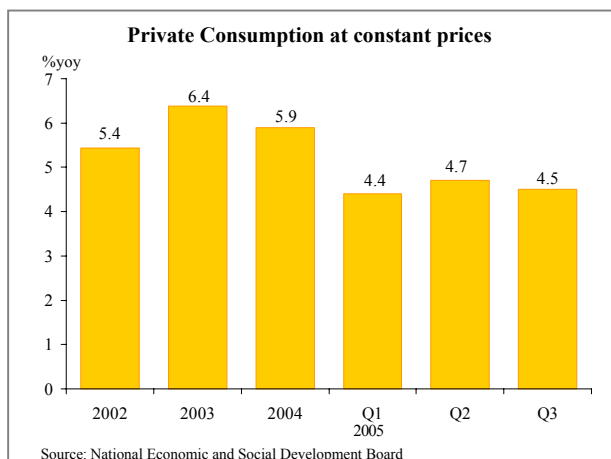
In 2005, mobile telephone service activities decelerated from 2004, owing to declining consumer's purchasing power amid rising inflation and the fact that the penetration ratio had reached one-half of the entire population. In 2005, the number of mobile service users stood at 31.3 million numbers, increasing by 3.9 million or 14.3 per cent, but slowing down from the increase of almost 5 million in 2004. In 2005, mobile phone service providers concentrated on price cutting as a core competition strategy to attract customers from other providers as well as to maintain their own

customer bases. Despite development of new complimentary services to boost earnings, most providers experienced lower profit per number, as additional earnings were not sufficient to cover losses incurred from the price cutting strategy.

Fixed-line telephone service activities expanded at a slightly higher pace. In 2005, the number of fixed-line service users increased roughly by 200,000 numbers or by 3.0 per cent, compared to an increase of 180,000 numbers or by 2.7 per cent in 2004. The increase in 2005 mainly reflected higher penetration rate in regional areas as well as rising demand for internet services, which mostly utilized the fixed lines.

Outlook for 2006: Mobile phone service activities should continue on a decelerating path. However, service providers were expected to concentrate their investment on network expansion in the regional areas, as the penetration rate for this customer group remained low. Meanwhile, price competition should be less intense, as service providers were likely to compete more on quality of services and other complimentary service options to fulfill demand, especially in the expanding regional markets. In addition, it was expected that the National Telecommunications Commission (NTC) would exert greater regulatory role and issue licenses for telecommunication services, particularly new licenses for third generation technology services (3G), which allowed for the integration of voice, data and other multimedia services. With these new 3G licenses, there would be significant amount of new investment spending in the sector. Indeed, since late 2005, there had been cases of foreign equity investment in the sector as well as foreign purchase of mobile service businesses. It was likely that foreign participation in the telecommunication sector would continue. As for the fixed line market, activities were expected to grow at a similar rate as in 2005, with regional market expansion as the main thrust.

2.4 Private Consumption



Private Consumption Indicators

	2004	2005	2005			
			Q1	Q2	Q3	Q4
Passenger Car Sales (Unit: 1,000 units)	209.1 (16.6%)	185.8 (-11.2%)	42.3 (-19.5%)	47.3 (-5.6%)	40.3 (-19.8%)	55.9 (-0.6%)
Motorcycle Car Sales (Unit: 1,000 units)	1,965.5 (14.7%)	2,053.0 (4.5%)	519.1 (1.2%)	498.6 (-0.2%)	477.7 (9.5%)	557.7 (8.0%)
Sales of Benzene and Gasohol (Unit: billion liters)	7.7 (0.4%)	7.2 (-5.4%)	1.8 (-7.0%)	1.9 (-7.0%)	1.8 (-3.8%)	1.8 (-3.4%)
Household's Usage of Electricity Power (Unit: billion kilowatts)	24.5 (5.2%)	25.5 (4.0%)	5.8 (4.8%)	7.1 (6.0%)	6.5 (2.7%)	6.1 (2.5%)
Imports of Consumer Goods at 1995 Prices (Unit: billion USD)	7,252.0 (13.9%)	7,539.4 (4.0%)	1,837.9 (3.7%)	1,864.7 (5.3%)	1,879.8 (1.0%)	1,957.1 (5.8%)
VAT at 1995 prices (Unit: billion baht)	257.8 (19.3%)	287.4 (11.5%)	70.4 (13.4%)	72.0 (15.6%)	71.2 (10.2%)	73.7 (7.2%)

Note: Number in parenthesis is a year-on-year growth rate.
Source: Bank of Thailand

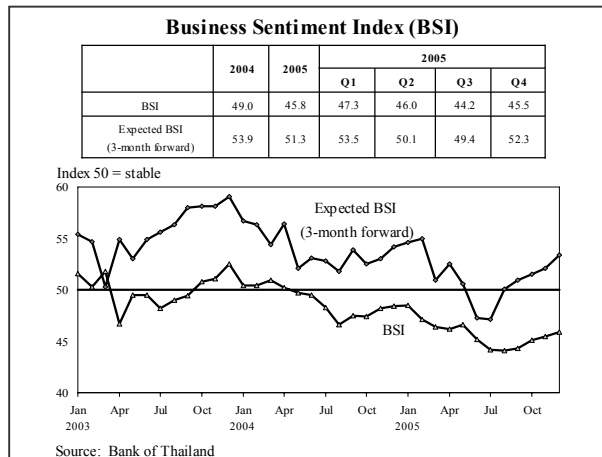
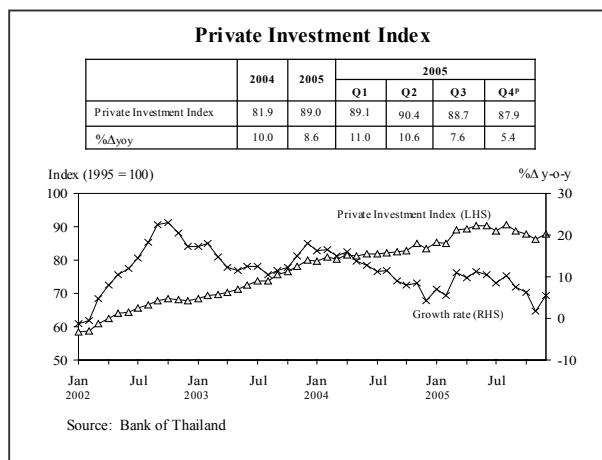
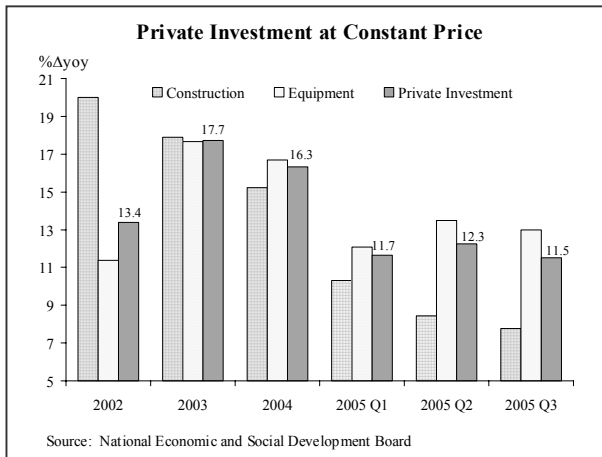
Private consumption expanded at a decelerating rate from the previous year. For the first nine months of 2005, private consumption increased by 4.6 per cent, compared to 5.9 per cent for 2004. The decline in private consumption resulted mainly from increasing oil prices, which led to higher price of goods and services and rising inflation. This in turn caused consumer confidence to deteriorate and consumer spending behaviour to become more cautious. The slowdown in private consumption was in line with the downward trend observed in the Consumer Confidence Index (CCI), which was identified as due to concerns over rising cost of living as well as the prolonged unrest in the three southernmost provinces.

In 2005 Q4, the BOT's Private Consumption Index (PCI) expanded by 0.9 per cent, up from 0.3 per cent in the previous quarter. The expansion concurred with the improving Consumer Confidence Index in the final quarter of 2005.

The increase in PCI during 2005 Q4 reflected satisfactory growth in its components, namely imports of consumer goods at constant price, passenger car sales, which was due to the launch of new car models and promotions during the Motor Show in December 2005, and motorcycle sales, which grew in line with farm income. Other PCI components, such as the value added tax at 1995 prices and household electricity usage continued to expand, albeit at a slower rate. On the other hand, the consumption of benzene and gasohol continued to decline from 2004, as oil prices remained high.

The upward interest rate cycle and high oil prices should further discourage private consumption, as consumers become increasingly prudent with their spending decisions. To some certain extent, the continued rise in interest rates should nevertheless encourage household savings and discourage households from taking on more debt.

2.5 Private Investment



Private investment decelerated in 2005, expanding at 12.0 per cent in the first half of the year and entering the latter half with slightly lower growth, registering at 11.5 per cent in 2005 Q3. The moderate deceleration was on account of the increase in cost of production following the oil price surge and deteriorated business sentiment.

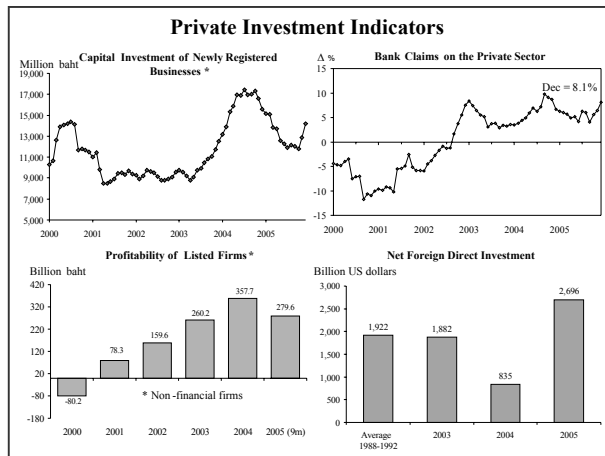
During 2005 Q1-Q3, private investment expanded mainly on strengthened investment in equipment and machinery. Meanwhile, construction investment slowed down in line with real estate activities.

For 2005 Q4, private investment indicators pointed to a slowdown from the previous quarter. The Private Investment Index (PII) grew at 5.4 per cent in 2005 Q4, compared to 7.6 per cent in 2005 Q3. As a result, private investment growth for the year was expected to decelerate from 2004. Factors accounting for most of the growth slowdown included (1) increasing cost of production, especially rising oil prices and (2) deteriorating business sentiment, caused by rising cost of production, strong business competition as well as the unrest in the three southernmost provinces.

Private Investment Indicators

	2004	2005	2005			
			Q1	Q2	Q3	Q4
Domestic Cement Sales (Unit: 1,000 tons)	27,191 (12.2%)	28,966 (6.5%)	8,391 (17.6%)	7,135 (8.2%)	6,802 (3.1%)	6,638 (-3.3%)
Construction Area Permitted in Municipal Zone (a 12-month backward moving average) (Unit: 1,000 square meters)	21,494 (37.2%)	21,277 (-1.0%)	5,656 (16.2%)	5,394 (2.2%)	5,198 (-7.6%)	5,030 (-12.1%)
Domestic Commercial Car Sales (Unit: 1,000 units)	416.8 (17.7%)	517.7 (24.2%)	124.2 (30.7%)	132.1 (30.9%)	118.6 (31.9%)	142.8 (9.1%)
Imports of Capital Goods at 1995 Prices (Unit: Billion Baht)	424.8 (4.8%)	481.5 (13.3%)	117.4 (13.4%)	121.8 (13.4%)	123.8 (13.0%)	118.6 (13.7%)
Domestic Machinery Sales at 1995 Prices (Unit: Billion Baht)	431.0 (18.6%)	491.2 (14.0%)	116.8 (12.2%)	133.9 (25.8%)	119.6 (10.7%)	120.9 (7.5%)

Note: Number in parenthesis is a year-on-year growth rate
Source: Bank of Thailand



Other private investment indicators confirmed a slowdown in investment activity in 2005. Registered capital of new businesses was on a decline, though climbing slightly toward the end of year. Nevertheless, profit margin growth of listed companies, net foreign direct investment and the value of investment projects approved by the Board of Investment (BOI) remained satisfactory in 2005. These factors along with high capacity utilization should allow private investment to continue to expand well in 2006.

Investment Promotion Certificates Issued

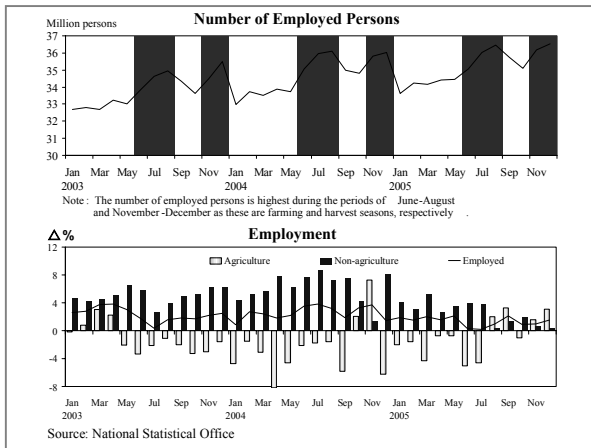
Jan - Dec 2005 (Δ%)	No. of Projects	Value
Agriculture	-6.3	-11.4
Mining ceramics and metals	42.3	73.9
Light industry	28.2	7.2
Metal machinery and equipment	-6.3	101.4
Electronics and electrical products	23.8	-37.2
Chemicals paper and plastic	9.9	13.7
Services and infrastructure	12.2	128.4
Total	7.7	43.4

Source: Office of the Board of Investment

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2.6 Labour Market Conditions



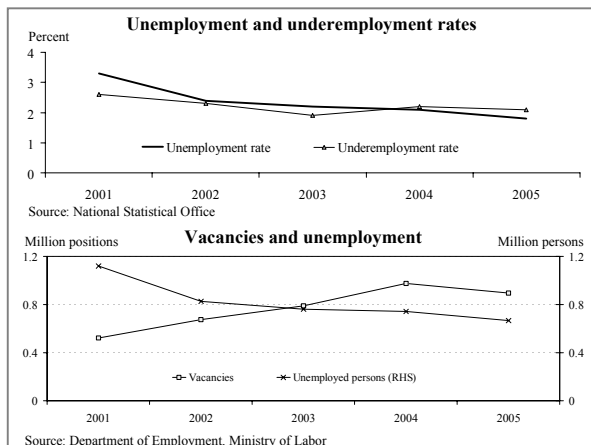
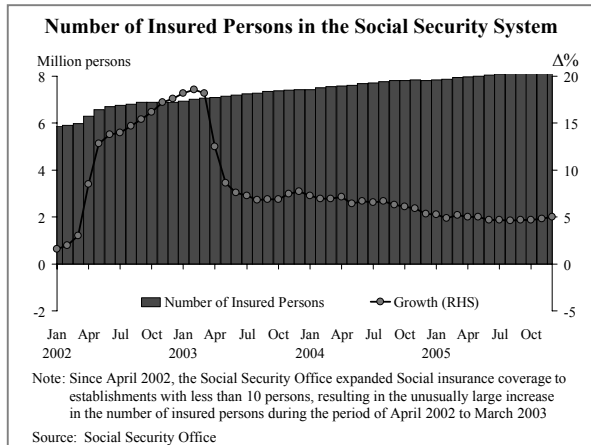
Labour Market Conditions by Sector and Region

(Unit: Percent)

	Share of Employed		Growth Rate of Employed	
	2004	2005	2004	2005
Agriculture	38.5	37.7	-2.3	-0.7
Non-agriculture	61.5	62.3	6.0	2.6
Manufacturing	16.5	16.7	3.9	2.3
Wholesale and retail trade	15.8	15.7	6.3	0.3
Hotel and restaurant services	6.5	6.7	5.6	4.0
Construction	6.0	6.0	11.4	1.9
Others	16.7	17.2	5.2	4.8
Total	100.0	100.0	2.6	1.3

	Share of Employed		Growth Rate of Employed		Unemployment Rate	
	Persons in 2005	2004	2005	2004	2004	2005
Central region	24.8	3.5	4.8	1.5	1.6	
Bangkok	11.9	0.8	-6.9	2.1	1.8	
Northern region	18.5	4.6	4.6	2.1	1.9	
Northeastern region	31.8	2.5	2.1	2.5	2.1	
Southern region	13.1	0.5	3.9	1.9	1.7	
Whole Kingdom	100.0	2.6	1.3	2.1	1.8	

Source: National Statistical Office



In 2005, the number of employed persons increased by 1.3 per cent, moderating from the previous year. Employment in the agricultural sector continued to decline from 2004, falling by 0.7 per cent on account of drought and crossover into non-agricultural sectors. Nevertheless, as economic growth slowed down, non-agricultural employment growth dropped to 2.6 per cent from 6.0 per cent in 2004, with the growth slowdown observed in all major non-agricultural sectors.

Employment rose significantly in the north, central, and especially the south of Thailand. Despite the ongoing unrest, employment in the south expanded robustly on account of a substantial rise in the price of natural rubber. In addition, the increasing employment in these regions was partly due to labour migration from Bangkok and the northeast.

Private hiring in the formal sector continued to improve, as reflected in the number of insured persons under the social security programme, which rose by 8.23 million persons, an increase of approximately 0.39 million persons or 5.0 per cent from end-2004.

Continued increase in the number of employed persons in 2005, albeit at slower growth, contributed to the unemployment rate of 1.8 per cent, down from 2.1 per cent in 2004 and the lowest since 1998. The low unemployment and underemployment rates together with the number of job vacancy that outpaced unemployment reflected a tightening labour market in 2005. The labour market could continue to tighten in the future as the number of workers demanded was expected to outstrip the number of unemployed persons. Nevertheless, business firms, especially those in the manufacturing sector, had so far managed to increase shifts and working hours in response to the low unemployment condition.

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2.7 Price Level

Consumer prices, as measured by the Consumer Price Index (CPI), rose by 4.5 per cent in 2005, accelerating from 2.7 per cent in 2004. The acceleration was on account of a 5.0-per-cent increase in food and beverage prices and a 4.3-per-cent increase in non-food and beverage prices. **Core CPI** (excluding raw food and energy prices) rose by 1.6 per cent, accelerating from the previous year's rate of 0.4 per cent as a result of the second-round effect of rising oil prices. This effect translated steeper production costs into higher cost of public transportation as well as high raw food prices into the price of restaurant and home cooked meals. Nevertheless, core inflation remained within the target range of 0-3.5 per cent.

Factors that caused Thailand's inflation to pick up included:

(1) The removal of domestic retail oil price control to align domestic prices with world prices that continued to increase significantly;

(2) Higher raw food prices, in particular farm prices such as fresh vegetables and fruits, which rose 16.5 per cent as a result of crop damage from natural disasters including drought and flood coupled with higher external demand for rice and cassava in particular;

(3) Higher energy costs, which led to a 13.2-per-cent upward adjustment in the cost of public transportation, which included local and regional buses, ferries and boats, motorcycles, and air fares, as well as an increase in electricity charges;

(4) An increase in the excise taxes for alcoholic beverages and cigarettes.

Nevertheless, headline inflation, which rose as high as 6.2 per cent in October fell to 5.9 and 5.8 per cent in November and December, respectively, as domestic retail oil prices declined following a fall in world oil prices. This development indicated a possibility that headline inflation might have already peaked.

Since raw food and energy items accounted for most of the price increases, there remained a significant difference between headline and core inflation measures. Part of the rising production costs had begun to translate into higher prices of some goods and services. But businesses were still unable to adjust prices to the full extent. This incomplete pass-through came about as a result of price control measures that applied to basic goods considered as necessities. In particular, the authority increased the number of controlled items to 37 from 18. Intense competition also forced businesses to absorb higher production costs, for example, freight charges, in order to maintain market share.

Consumer Price Index

(Percentage change from the same period last year)

	Weight (Per cent)	2004	2005	2005			
				Q1	Q2	Q3	Q4
Headline Consumer Price Index	100.0	2.7	4.5	2.8	3.7	5.6	6.0
Food and beverages	36.1	4.5	5.0	4.0	3.6	5.5	6.5
Non-food and beverages	63.9	1.7	4.3	2.0	3.6	5.7	5.7
Core Consumer Price Index	75.95	0.4	1.6	0.7	1.1	2.2	2.4

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

The **Producer Price Index (PPI)** increased by 9.2 per cent in 2005, accelerating from the previous year's increase of 6.7 per cent. The acceleration in PPI was due to higher prices in all categories, namely, agricultural, mining, and manufactured products, which rose by 21.2, 17.4 and 7.2 per cent, respectively. Agricultural prices surged with the increase in farm prices, including prices of paddy, cassava, rubber and

fresh vegetables given strong external demand as well as supply contraction after natural disasters such as drought and flood.

Manufactured product prices edged up following the upswing in the prices of petroleum products, chemical products, rubber and plastic products, and metal products, while the price of mining products rose in line with the surge in the prices of crude oil, natural gas, and metal ore.

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

	Weight (Per cent)	2004	2005	2005			
				Q1	Q2	Q3	Q4
Producer Price Index	100.0	6.7	9.2	9.6	9.4	9.4	8.2
Agricultural Products	9.5	14.9	21.2	18.7	21.0	25.7	27.0
Mining Products	2.4	12.8	17.4	15.8	18.3	19.2	16.4
Manufactured Products	88.1	5.4	7.2	8.0	7.8	7.4	5.4

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

2.8 International Trade and the Balance of Payments

The trade deficit in 2005 resulted from decelerating export growth along with faster import growth. Together with the declining surplus in the services, income and transfers account consequent of adverse tourism activities post-tsunami, Thailand's current account turned from a sizable surplus in 2004 into deficit. Nevertheless, large net inflow of capital more than offset the current account deficit, thereby allowing the balance of payments to continue to be in surplus in 2005.

Exports

Export value posted a record sum of 109.2 billion US dollars, a year-on-year increase of 15.0 per cent compared to 21.6 per cent in 2004. The export price and volume expanded by 10.1 and 4.5 per cent, respectively, mainly buoyed by the growth in export of manufacturing and fishery products. On the other hand, agricultural exports dropped on account of severe drought.

Thai exports increased in all major markets including USA, EU, Japan and ASEAN, which accounted for 64.4 per cent of export share. In addition, owing to the bilateral free trade agreements, higher growth of exports to new markets such as New Zealand, Australia, India and China also raised their export share.

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

Manufactured Products. Export value of high-technology products accounted for the highest share of 63.7 per cent of total exports, slightly up from 62.3 per cent in the previous year. Among the high-growth industries, automobile maintained its strong expansion due to Thailand's potential as a production base, especially for commercial cars. This robust growth resulted in a significant rise in the country's export of **vehicles and parts**, particularly to ASEAN countries as well as those with free trade agreements such as Australia and New Zealand. Electronic exports, particularly **computers and parts**, continued to expand in

line with an upswing in consumer electronics cycle. This contributed to an ongoing growth of export of hard disk drives as well as **integrated circuits (IC) and parts** that was supported by the electronic up-cycle. Meanwhile, export of **electrical appliances** recorded smaller growth relative to the previous year. Major items in this category were air conditioning units, the export of which was impacted by a prolonged winter in Europe and television sets, a major market for which was US, which had regulation restricting import of analogue televisions.

Other export categories that expanded well were **plastic products, chemical products** as well as **petroleum products** such as diesel, benzene and LPG, for which there was excess supply in the domestic market. This excess supply was induced by the removal of retail oil price subsidies, the substitution of gasohol for benzene usage as well as a slowdown in fishery following high oil prices.

The growth of **labour-intensive product** exports was due mainly to an expansion in **precious stone and jewellery** exports. The growth rate of exports in this item was 22.0 per cent, a sharp rise from 5.3 per cent in the previous year. The expansion was primarily in fine jewellery and articles of jewellery made of gold alloys. On the other hand, export of gold for speculative purposes made up for an insignificant share of exports. The growth of **garment** exports diminished as the elimination of the quota restriction became effective on 1 January 2005. The action shifted export orders from the US and EU towards Thailand's competitors, such as China and Vietnam, as well as India for their competitive potentials and abundance in raw materials. However, despite the moderate pickup in export orders toward the end of 2005, garment export growth registered only at 2.3 per cent for 2005, down from 12.0 per cent in 2004. Meanwhile, with the acceleration of sporting-footwear exports to US, export of **footwear** increased by 17.8 per cent compared to -4.2 percent in 2004.

Goods categories classified under **resource-based products** that enjoyed solid export growth included: 1) **rubber products** especially radial tyres, the export value of which increased sharply with the expansion of automobile production in the ASEAN region, and other rubber products such as rubber gloves, 2) **furniture and parts** particularly to US and EU, 3) **Prepared fowls** as substitutes for frozen fowls to Japan and EU due to the persisted avian flu problem and 4) **canned seafood**, primarily canned fish, the export price and volume growth of which increased. As for agricultural-based exports, the volume of **sugar** exports declined while the export of **canned pineapple** rose in line with rising pineapple crop yield toward the end of the year.

Fishery products. Export value of fishery products rose by 9.6 per cent, of which 8.2 per cent was from volume growth. The main contribution to fishery products export growth in 2005 came from **fresh and frozen shrimp**, which had been under investigation for dumping from US in 2004 and which per official US investigation outcome as of 1 February 2005 eventually sustained the lowest antidumping duty rate compared to other competitors under investigation, except Ecuador. The other supporting factor was the reduction in tariff rates by EU to the same rate as the GSP tariff rate during 1 August – 31 December 2005.

Agricultural products. Export value of agricultural products in 2005 declined in line with major export items such as **rice, rubber and tapioca product**. The decline was due to the severe drought, which impacted on export quantity.

Imports

Import value reached a record high of 117.8 billion US dollars, growing by 26.0 per cent. Import price rose by 16.0 per cent, mainly following the pickup in the prices of fuel and lubricant products. Meanwhile, import volume expanded by 8.6 per cent following the acceleration in capital goods as well as fuel and

lubricant products imports. This import acceleration was consistent with firm export and domestic demand growth, oil consumption growth as well as speculative non-monetary gold imports in anticipation of a gold price surge. Import value from the Middle East rose on account of oil while imports from Australia and China, with which Thailand had free trade agreements, surged by 48.0 and 37 per cent, respectively, and imports from India and New Zealand edged up by 12.4 and 6.8 per cent, respectively.

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

Capital goods. Import value of capital goods rose by 24.7 per cent with major increases coming from **electrical machinery and parts**, which were inputs for electronics production for export. In addition, imports of **non-electrical machinery and parts**, used in the automobile, office equipment, paper, food, transportation, construction, telecommunication and metal industries, also rose. Stoking demand for imports were also government mega-projects, such as the construction of the expressway, the Suvarnabhumi airport, housing projects for the poor as well as state enterprise purchases, such as Thai Airways International's import of 8 new aircraft (at 1.0 billion US dollars), the new airport's explosive detection system as well as gas pipelines imported by PTT Public Company Limited. Furthermore, imports of **computers and parts** also increased in line with internal and external demand expansion.

Import value of **intermediate goods and raw material** grew by 18.1 per cent. Major items in this import categories included: (1) **iron and steel**, which surged during the first half of the year in anticipation of government mega-projects as well as the expansion in domestic industrial production, (2) **animal feeds** (of which 65 per cent was **soybean mill**), which had risen since the measure to reduce raw material import duty came into effect following a cabinet resolution on 23 November 2004 to lower the cost of animal feeds, (3) **fishery and prepared seafood**, of which 70.0 per cent was the import of tuna to serve the production of prepared seafood for export, (4)

integrated circuit and parts for export production and (5) **chemical** products, namely Ethylene Glycol for use in the petrochemical industry.

Consumer goods. Import value of consumer goods rose by 12.4 per cent from import of durable goods, such as household goods and electrical appliances, particularly parts for radio receivers and television sets as well as colour video monitors, and non-durable goods such as **fruits and vegetables**, of which more than half were imported from China, including apples, peaches and pears.

Other imports that registered high growth included **non-monetary gold**, which jumped by 64.0 per cent from 2004. The gold imports were used for jewellery production and partly in speculation that gold price would continue to rise. Gold was mainly imported from Australia, which was Thailand's nearest source of raw material.

Vehicles and parts. Import value of vehicles and parts rose by 9.1 per cent in line with domestic demand and export growth. Nevertheless, the growth rate was down from 18.4 per cent in 2004, as producers substituted domestically produced materials for imported ones.

Crude oil. Crude oil import value rose by 60.7 per cent as a result of 38.1 per cent rise in import price together with 16.3 per cent rise in import volume. The surge in oil prices during 2005 was due to various factors such as a prolonged and unstable winter in US and EU, labour strife in Nigeria's oil industry, the impact of hurricanes Katrina and Rita on refinery facilities in the Gulf of Mexico as well as hedge funds' speculative behaviour. The average price of oil imports was at 52.8 US dollars per barrel compared to 38.2 US dollars per barrel in 2004.

Trade, Services and Current Account Balances

With import growth exceeding that of export, the **trade balance** turned from a surplus of 1.5 billion US dollars in 2004 into a deficit of 8.6 billion US dollars. Machinery and electronic imports from Japan and Taiwan and sizable oil

imports from the Middle East and ASEAN contributed to most of the deficit. Among countries with which Thailand had free trade agreements, the largest deficit was to China and Australia; the latter was due to gold imports. Nevertheless, the trade balance with India and New Zealand was still in surplus in 2005.

The **services, income and transfers account** recorded a lower surplus of 4.9 billion US dollars, down from 5.4 billion US dollars in 2004. Tourism revenue was sluggish at 10.1 billion US dollars, close to the previous year's figure as a result of the tsunami together with unrest in the south. On the other hand, tourism expenditure rose to 5.0 billion US dollars, a 10.7 per cent increase from 2004, in line with increases in the number of outbound tourists and average expenditure per tourist. Investment income accelerated from 2004, especially in the public sector, whereas investment payment rose due to higher profit remittances and dividend payment of the private sector. With diminishing services, income and transfers surplus and the trade balance reversion, the current account turned to a deficit of 3.7 billion US dollars in 2005 from a surplus of 6.9 billion US dollars in the previous year.

Net Capital Movement

In 2005, net capital movements recorded a surplus of 6.6 billion US dollars, compared to a net deficit of 0.6 billion US dollars in 2004, owing mainly to net capital inflow in the non-banking sector, particularly portfolio investment. Details of net capital movements in 2005 are as follows:

Capital flows of the public sector registered a deficit of 1.8 billion US dollars, compared to a deficit of 1.5 billion US dollars in 2004. The deficit was due to the government's repayment of long-term loans, which amounted to 1.2 billion US dollars, as well as the outflow of 0.6 billion US dollars from the refinancing of short- and long-term government external debt through domestic loans.

Capital flows in the banking sector recorded a deficit of 2.5 billion US dollars, reversing from a surplus of 1.6 billion US dollars in 2004. The net capital outflow in this sector was due to an increase in commercial banks' net foreign assets of 1.2 billion US dollars, which was on account of the decline in forward sales of foreign currencies to non-residents. At the same time, external debt repayment of the BIBF, mostly long-term debt, was reported at 1.3 billion US dollars.

Capital flows in other sectors registered a large surplus of 11.0 billion US dollars, of which **non-banking sector's** net inflow accounted for 9.4 billion US dollars. In the non-banking sector, **foreign direct investment** recorded a net inflow of 2.7 billion US dollars, of which **equity investment** in businesses related to beverage, tobacco as well as chemical production accounted for 2.1 billion US dollars and inflow of **direct loans** to subsidiaries accounted for 0.6 billion US dollars, mainly in the energy trading business. In addition, **portfolio investment** was in surplus for 4.7 billion US dollars and was accounted for by inflows of **equity securities** of 4.9 billion US dollars and net outflows of **debt securities** of 0.2 billion US dollars. Items recorded under **other loans** registered a deficit of 0.4 billion US dollars, compared to a surplus of 0.5 billion US dollars in 2004, and was mainly accounted for by external debt repayment of oil-related businesses and holding companies.

Capital flows of state enterprises reverted into surplus at 1.5 billion US dollars, from a deficit of 1.4 billion US dollars in 2004. The large capital inflows were accounted for by loans to Thai Airways International for the payment of 8 new aircraft coupled with new issuance of long-term securities by other state enterprises in foreign markets, such as the floating rate certificate of deposit (FRCD) and floating rate notes (FRN). In addition, certain state enterprises trimmed down their foreign assets, which was defined as capital inflows as well.

Balance of payments

The reversion of the current account into deficit was more than offset by a significant inflow in the capital account, which resulted in a **balance of payments** surplus of 5.4 billion US dollars in 2005, compared to a surplus of 5.7 billion US dollars in 2004. Consequently, **international reserves** rose from 49.8 billion US dollars at end-2004 to 52.1 billion US dollars at end-2005, equivalent to 5.3 months of imports. Net outstanding forward obligations of the BOT stood at 3.8 billion US dollars.

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Balance of Payments

(Unit: Million of US\$)

	2004			2005 ^{1/}		
	Year	H1	H2	Year	H1	H2
Exports, f.o.b.	94,941	45,041	49,900	109,211	50,984	58,227
(Δ%)	21.6	22.4	20.8	15.0	13.2	16.7
Imports, c.i.f.	93,481	45,077	48,404	117,788	59,102	58,686
(Δ%)	25.7	30.2	21.9	26.0	31.1	21.2
Trade balance	1,460	-36	1,496	-8,578	-8,118	-459
Services & Transfers	5,405	2,739	2,666	4,864	2,255	2,609
Current account balance	6,865	2,703	4,162	-3,714	-5,864	2,150
Capital movements (net)	-591	-1,355	764	6,621	4,412	2,209
Monetary authorities	3,065	1,247	1,818	0	0	0
Government	-1,504	-619	-885	-1,840	-647	-1,193
Bank	1,659	673	986	-2,500	-1,545	-955
Other sectors	-3,811	-2,656	-1,155	10,961	6,604	4,357
-Non-bank	-2,373	-1,929	-444	9,438	5,030	4,408
Foreign Direct Investment	835	359	476	2,697	1,508	1,189
Portfolio Investment	-561	-427	-134	4,722	2,807	1,915
Other Loans	548	-8	556	-444	-1,161	717
Nonresident Baht Account	-2,747	-2,106	-641	0	0	0
Others	-448	253	-701	2,463	1,876	587
-State enterprises	-1,438	-727	-711	1,523	1,574	-51
Errors and omissions	-539	503	-1,042	2,515	2,548	-33
Overall balance ^{2/}	5,735	1,851	3,884	5,422	1,097	4,325

Note: ^{1/} Preliminary^{2/} Actual

% Δ 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 50.9 billion US dollars as of end-2005, declining from 51.3 billion US dollars as of end-2004. Notwithstanding the net external debt inflow of 2.0 billion US dollars, the outstanding value of external debt fell by 0.4 billion US dollars thanks to depreciation in the yen, which pushed down the value of yen-denominated debt in US dollar terms. The details can be summarized as follows:

External debt of the public sector amounted to 3.6 billion US dollars, down from 2004, as the Ministry of Finance's scheduled loan repayment amounted to 1.2 billion US dollars and domestic commercial banks purchased short- and long-term public debt securities worth 0.6 billion US dollars from non-residents. Consequently, the public sector

reported total external debt repayment of 1.8 billion US dollars. With valuation changes from the yen depreciation, public sector debt outstanding declined by a total of 2.2 billion US dollars.

External debt of the banking sector stood at 6.0 billion US dollars. Commercial banks registered net loan inflows of 0.2 billion US dollars while the Bangkok International Banking Facility (BIBF) continued its short- and long-term external debt repayment totalling 1.3 billion US dollars. With the yen depreciation, the outstanding external debt for the banking sector declined by 1.0 billion US dollars from 2004.

External debt of other sectors stood at 41.3 billion US dollars with (1) net loan inflow in the non-banking sector of 4.1 billion US dollars, especially as trade credit of petroleum-related businesses and (2) net external borrowing by state enterprises of 0.8 billion US dollars in the form of loans and bond issuances. As a result, total external debt inflow amounted to 4.9 billion US dollars. Nevertheless, with the depreciation of the yen, external debt outstanding in this category increased by only 2.8 billion US dollars.

External debt structure

Short-term debt as of end-2005 accounted for 32.7 per cent of total external debt, rising from 23.7 per cent at end-2004. This increase was due to inflow of short-term loans, especially in the form of trade credit, as well as a decline in net inflows of long-term loan.

Balance of Payments Division
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External Debt Outstanding*

(Unit: Million US\$)

	2003	2004	2005	Dec-05 compared to Dec-04
1. Public Sector	7,306	5,779	3,578	-2,201
Long-term	6,921	5,491	3,578	-1,913
Short-term	385	288	0	-288
2. BOT (Long-term)	0	0	0	0
3. Banks	7,045	7,069	6,038	-1,031
Long-term	3,729	4,384	2,982	-1,402
Short-term	3,316	2,685	3,056	371
3.1 Commercial Banks	2,790	3,043	4,244	1,201
Long-term	1,271	1,733	2,000	267
Short-term	1,519	1,310	2,244	934
3.2 BIBFs	4,255	4,026	1,794	-2,232
Long-term	2,458	2,651	982	-1,669
Short-term	1,797	1,375	812	-563
4. Others	37,432	38,464	41,255	2,791
Long-term	30,229	29,263	27,656	-1,607
Short-term	7,203	9,201	13,599	4,398
4.1 State Enterprises	9,653	9,151	8,977	-174
Long-term	9,653	9,151	8,943	-208
Short-term	0	0	34	34
4.2 Non-Banks	27,779	29,313	32,278	2,965
Long-term	20,576	20,112	18,713	-1,399
Short-term	7,203	9,201	13,565	4,364
Total Debt (1+2+3+4)	51,783	51,312	50,871	-441
Long-term	40,879	39,138	34,216	-4,922
Short-term	10,904	12,174	16,655	4,481
Share (%)	100.0	100.0	100.0	
Long-term	78.9	76.3	67.3	
Short-term	21.1	23.7	32.7	

Note: * Including valuation change

Source: Bank of Thailand

2.10 Fiscal Conditions

The government committed to balance the budget for fiscal year 2005. The budget was initially set at 1,200 billion baht. However, revenue collection exceeded expectation. This enabled the government to implement supplementary expenditures of 50 billion baht and still balance the budget. Consequently, the total government expenditures amounted to 1,250 billion baht.

During budget preparation for fiscal year 2005, the government had reviewed its budgeting plan in an integrated fashion so as to link various budgetary items to achieve desired goals in the most efficient manners while limiting public debt expansion, increasing efficiency in the administration and disbursement of public sector budget expenditures, supporting investment expansion, and strengthening local administrative bodies.

Fiscal Position

In fiscal year 2005, government cash balance recorded a surplus of 16.8 billion baht, equivalent to 0.2 per cent of GDP. Meanwhile, government's net repayment of domestic loans amounted to 38.5 billion baht while net foreign loan repayment totalled 20.7 billion baht. As a result, treasury reserves fell from 147.2 to 104.8

billion baht at the end of fiscal year 2005, a reduction of 42.4 billion baht.

For fiscal year 2006, the government aimed to strengthen macroeconomic fundamentals and stability by continuing on a balanced budget path. The government set its expenditures at 1,360 billion baht. Budget preparation was in accordance with a policy framework of the country's Administrative Plan B.E. 2548-2551 (2005-2008).

In the first quarter of fiscal year 2006 (the fourth quarter of 2005 calendar year), the government registered a cash deficit of 109 billion baht. In this regard, the cabinet, on 29 November 2005, raised the treasury bill ceiling by 80 billion baht to facilitate liquidity management over the fiscal year, which resulted in the new treasury bill ceiling of 250 billion baht from 170 billion baht at the end of fiscal year 2005.

The government financed the cash deficit of 109 billion baht as well as the net external debt repayment of 6.0 billion baht through net domestic borrowing of 27.4 billion baht and reduction of 87.7 billion baht in treasury reserves. Consequently, treasury reserves fell from 104.8 to 17.1 billion baht at the end of the first quarter of fiscal year 2006.

Treasury Account Position^{1/}									
(Unit: Billion baht)									
<i>Fiscal Year</i>									
	2004	2005	2005		2006 ^P				
			H1	H2	Q1 ^P	Oct ^P	Nov ^P	Dec ^P	
Revenue ^{2/}	1,125.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
(Δ%)	(17.1)								
Expenditure	1,105.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
(Δ%)	(17.8)								
: Disbursement rate (%)	89.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Budgetary Deficit (-) or Surplus (+)	19.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-Budgetary Deficit (-) or Surplus (+)	-2.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cash Deficit (-) or Surplus (+)	17.2	16.8	-63.8	80.6	-109.0	-53.3	-25.1	-30.7	
: (% of GDP)	(0.3)	(0.2)	(-1.9)	(2.3)					
Financing									
Net Domestic Borrowing	30.9	-38.5	-36.0	-2.5	27.4	-10.2	1.3	36.3	
Net Foreign Borrowing	-24.1	-20.7	-10.7	-10.0	-6.0	-4.5	-0.9	-0.6	
Use of Treasury Cash Balance	-24.0	42.4	110.5	-68.1	87.7	67.9	24.7	-5.0	
Treasury Cash Balance (end-period)	147.2	104.8	36.8	104.8	17.1	36.9	12.2	17.1	

Note: ^{1/} The data has been compiled following the E-government system (Government Fiscal Management Information System: GFMIS) since FY2005. Thus, complete fiscal position cannot be displayed during this period.

^{2/} Revenue remitted to Treasury (Cash basis)

Δ% represents percentage change from the same period last year

n.a. = no data available

P = Preliminary data

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

Government Revenue*

In fiscal year 2005, government revenue collected amounted to 1,474.3 billion baht, up by 14.3 per cent from the previous fiscal year. Adjusted for tax refunds, the government's net revenue was 1,255.9 billion baht, up by 13.3 per cent and was slightly higher than that estimated in the budget document at 1,250 billion baht (including the supplementary budget). Tax revenue increased significantly, particularly from corporate and personal income taxes, which increased from fiscal year 2004 by 25.8 and 9.0 per cent, respectively. Value-added tax (VAT) expanded by 22.0 per cent. (VAT would grow at 17.5 per cent if excluded the extra amount of 14.1 billion baht collected from electricity generators on cross-selling of electricity that was later claimed for refunds.) Excise tax grew slightly by 1.3 per cent owing to the modification of vehicle excise tax structure as well as the temporary tax cut on diesel oil.

Meanwhile, non-tax revenue reached 147.4 billion baht, increasing by 8.7 per cent from the previous fiscal year, a moderate deceleration that was due to the postponement of planned state enterprise privatization. Nevertheless, such decline in revenue from privatization was partly offset by state enterprises' income contribution to government revenue.

As for the first quarter of fiscal year 2006, government's collected revenue totalled 305.7 billion baht, up by 3.4 per cent from the previous fiscal year. The increase was due mainly to an 18.0 per cent rise in the income tax base while the foreign-trade tax base declined by 10.0 per cent, consequent of uncharacteristically high imports during fiscal year 2005 as well as continued tariff reduction in accordance with free trade agreements. Moreover, non-tax revenue declined by 14.7 per cent, as in the previous fiscal year there was income contribution of 1.6 billion baht from the closure of revolving funds for home mortgage earmarked for primary and secondary school teachers.

Government Revenue*						
(Unit: Billion baht)						
	Fiscal Year		2006 ^P			
	2004	2005	Q1	Oct	Nov	Dec ^P
Total Revenue	1289.8	1474.3	305.7	95.6	111.4	98.7
($\Delta\%$)	16.8	14.3	3.4	8.2	2.4	0.1
Taxes	1154.1	1326.9	284.5	91.2	101.2	92.1
($\Delta\%$)	17.0	15.0	5.1	9.8	3.2	2.7
- Income base	429.0	518.0	85.6	25.8	37.1	22.7
($\Delta\%$)	23.3	20.8	18.0	18.3	26.0	6.6
Personal income tax	135.2	147.3	34.7	11.9	12.0	10.9
($\Delta\%$)	15.2	9.0	14.7	9.8	20.6	14.1
Corporate income tax	261.9	329.5	48.7	12.9	24.6	11.2
($\Delta\%$)	25.4	25.8	21.8	19.1	28.4	12.2
- Consumption base	611.9	691.4	170.5	55.9	54.6	60.0
($\Delta\%$)	17.5	13.0	2.0	7.5	-5.1	4.1
Value added tax	316.1	385.7	100.0	33.4	32.0	34.5
($\Delta\%$)	21.0	22.0	12.3	20.2	3.1	14.6
Excise tax	275.8	279.4	62.9	20.1	20.2	22.6
($\Delta\%$)	11.8	1.3	-12.3	-9.2	-17.8	-9.6
- Foreign trade base	103.9	107.2	25.8	8.6	8.6	8.6
($\Delta\%$)	-5.8	3.2	-10.0	0.8	-16.2	-12.7
Other Incomes	135.7	147.4	21.2	4.4	10.2	6.6
($\Delta\%$)	14.5	8.7	-14.7	-16.5	-4.8	-25.6

Note: * Revenue on a collection basis is defined differently from revenue on cash basis shown in the treasury account positions.

Differences are from time-overlapping and the deduction from the collection basis set aside for tax rebates and export duties compensation.

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

P = Preliminary data

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

State Enterprises

In fiscal year 2005, state enterprises' retained income totalled 143.2 billion baht, down by 20.2 per cent from the previous fiscal year. This decline was partly owing to construction delay at Thailand Tobacco Monopoly's new plant, resulting in the conversion of the planned construction budget into income contribution to the government instead. Moreover, parts of the retained income of state enterprises, in particular TOT Public Company Limited and CAT Telecom Public Company Limited, was transferred to the government in order to prepare their balance sheets for the process of initial public offering in the future in accordance with the state enterprise privatization plan.

At the same time, state enterprises' capital expenditure reached 232.9 billion baht, increasing markedly by 72.8 per cent from the previous fiscal year. This disbursement acceleration was partly due to the import of aircraft by Thai Airways International Public Company Limited and the acceleration in the construction of housing project for low and medium income groups as well as the Suvarnabhumi Airport. As a result, state enterprises recorded a deficit of 89.7 billion baht, equivalent to 1.3 per cent of GDP.

State Enterprises' Balances			
(Unit: Billion baht)			
	<i>Fiscal Year</i>		
	2003	2004^{P/}	2005^{P/}
Retained Income	137.5	179.1	143.2
(Δ%)	(-13.2)	(30.2)	(-20.0)
Investment Expenditure	93.0	134.8	232.9
(Δ%)	(-21.5)	(44.9)	(72.8)
State Enterprises' Balances	44.5	44.3	-89.7
(% of GDP)	(0.8)	(0.7)	(-1.3)

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

P = Preliminary data

Source: National Economic and Social Development Board (NESDB)

Public Debt

At the end of fiscal year 2005, total public debt stood at 3,277.5 billion baht or 45.9 per cent of GDP, declining from 47.5 per cent of GDP at the end of fiscal year 2004. Public debt in the form of direct government borrowing amounted to 1,827.0 billion baht while government-guaranteed and non-guaranteed debt of non-financial state enterprises totalled 664.5 billion baht and 348.3 billion baht, respectively. Debt outstanding of the Financial Institutions Development Fund (FIDF) amounted to 437.7 billion baht.

The decline in the ratio of public debt to GDP was partly a consequence of the government's balanced budget policy, which required no borrowing to finance the budget.

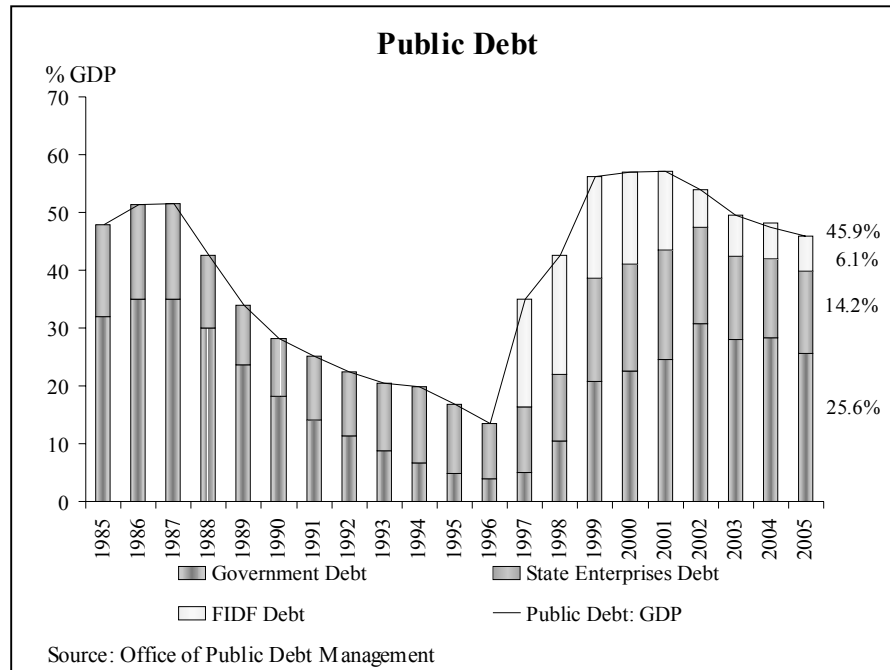
Furthermore, the government's prepayment of foreign debt as well as continuous economic expansion also contributed to a drop in the debt burden.

The Ministry of Finance established the following fiscal framework in order to achieve fiscal sustainability: (1) contain public debt to within 50 per cent of GDP, (2) contain government debt service including principal repayment, interest payment and fees to under 15 per cent of budgeted expenditures, (3) balance the budget from fiscal year 2005 onwards and (4) maintain the level of capital expenditure at no less than 25 per cent of total budget.

Public Debt			
(Unit: Billion baht)			
<i>Fiscal Year</i>			
	2003	2004^{P/}	2005^{P/}
1. Debt incurred from direct borrowing	1,651.6	1,828.4	1,827.0
(% GDP)	(28.0)	(27.8)	(25.6)
1.1 foreign debt	344.3	321.9	250.8
1.2 domestic debt	1,307.4	1,506.5	1,576.2
2. Debt of non-financial state enterprises	851.0	899.2	1,012.8
(% GDP)	(14.4)	(13.7)	(14.2)
2.1 government-guaranteed debt	694.6	653.9	664.5
foreign debt	305.1	271.2	247.5
domestic debt	389.5	382.7	417.0
2.2 non-government-guaranteed debt	156.5	245.3	348.3
foreign debt	61.1	77.5	102.2
domestic debt	95.3	167.8	246.1
3. Financial Institutions Development Fund (FIDF)	427.4	398.9	437.7
(% GDP)	(7.2)	(6.1)	(6.1)
3.1 government-guaranteed debt	62.0	40.0	40.0
3.2 non-government-guaranteed debt	365.4	358.9	397.7
4. Total (1+2+3)	2,930.0	3,126.5	3,277.5
(% GDP)	(49.6)	(47.5)	(45.9)

Note: P = Preliminary data

Source: Office of Public Debt Management

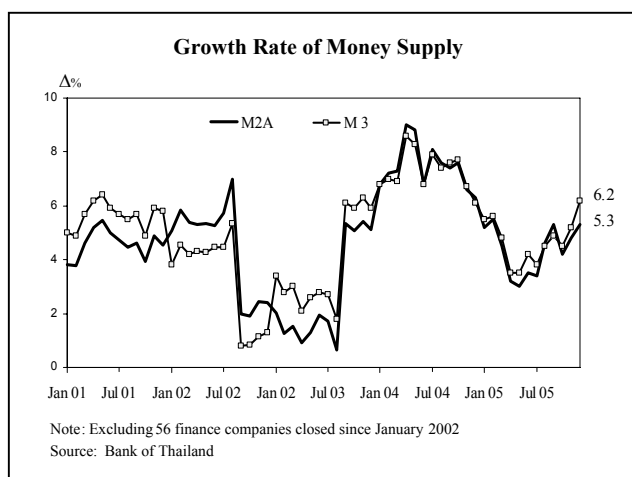
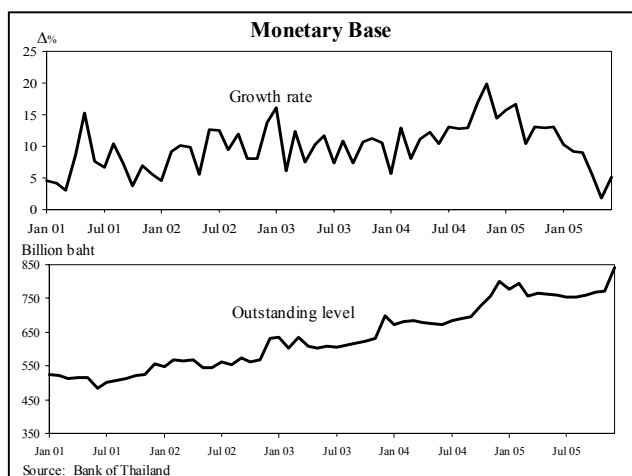


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2.11 Monetary Conditions and the Exchange Rate

1. Monetary Base and Money Supply



In 2005, **monetary base** expanded by 5.2 per cent year-on-year, slowing down from the rate of 14.4 per cent in 2004. The deceleration was partly due to an irregular jump in monetary base at end-2004 when the arrangement for provincial treasuries to act as agents for the Bank of Thailand in bank note deposit and withdrawal transactions with financial institutions came to an end. Instead, the Bank of Thailand established 10 bank notes operation centres in regional provinces while commercial banks had to manage bank notes at their own cash centres in a comprehensive fashion. This change caused cash in hand at commercial banks to increase permanently from the average of around 1 per cent to around 2 per cent of deposits from November 2004 onwards. At end-2005, monetary base outstanding reached 842.2 billion baht from 800.5 billion baht at end-2004, growing by 5.2 per cent.

Important changes in the supply of monetary base were (1) a continued increase in net foreign assets of the BOT in line with surplus in the balance of payments; (2) an increase in the BOT's net claims on the government following a decline in government deposits at the BOT; and (3) a decline in the BOT's net claims on financial institutions due to greater investment in the repurchase market as well as holding of BOT bonds, especially by non-bank financial institutions.

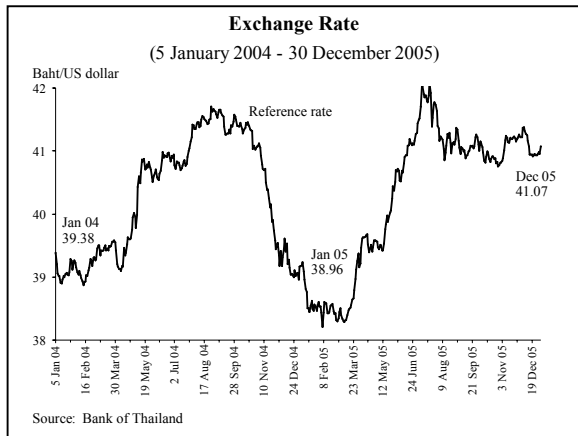
M2A and M3 at end-2005 expanded by 5.3 and 3.2 per cent year-on-year, respectively, moderating from the previous year's growth of 6.3 and 6.1 per cent, respectively. At end-2005 M2A and M3 stood at 6,510.0 and 7,725.2 billion baht, respectively.

In early-2005, broad measures of monetary aggregate, which primarily consisted of deposits at commercial banks, expanded at a markedly lower rate from 2004. This deceleration was due partly to relatively low deposit growth, as deposits were converted into alternative investments with higher yields such as debt instruments, together with the slowdown in economic growth owing to various negative factors including natural disasters and rising oil prices.

In the second half of 2005, however, monetary aggregates accelerated as more commercial banks entered the market, following commercial bank upgrading policy per BOT's Financial Sector Master Plan, and deposit rate became more attractive during the interest rate up-cycle. Moreover, overall economic conditions had improved from the first half of 2005 after the economic disturbances had ameliorated.

2. Exchange Rate, Interest Rates, and Government Bond Yields

2.1 Exchange Rate

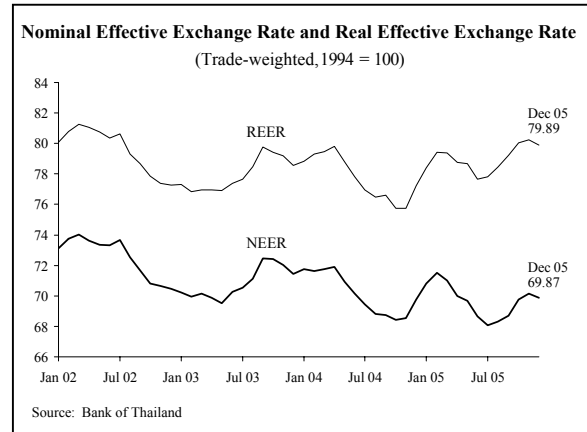


In 2005, the baht fluctuated between 38.21 – 42.08 baht per US dollar and averaged at 40.29 baht per US dollar, close to the average level in 2004.

Following the general election in February, which bolstered investors confidence in the Thai economy, the baht was relatively stable. Later on in the first half of 2005, the baht rapidly depreciated, partly on account of investors' concerns over the Thailand's ability to adjust to the continued oil price increase, especially after the current account recorded deficits in several consecutive months during 2005 H1.

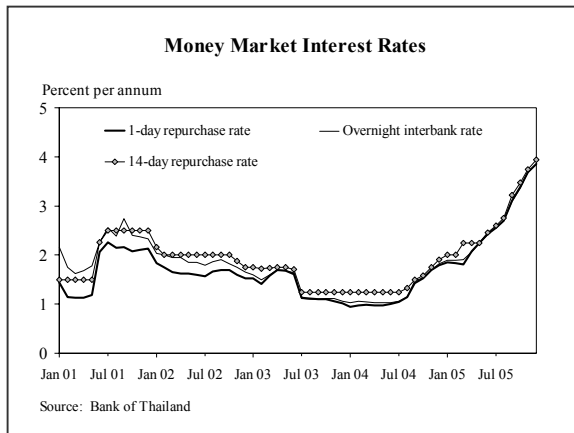
Nevertheless, when the People's Bank of China (PBOC) announced a reform of the renminbi exchange rate regime on 21 July 2005, the baht, which earlier depreciated steadily, strengthened in line with the renminbi and fluctuated in the narrow range afterwards. Factors supporting the baht included: (1) weak sentiment against the US dollar due to concerns

over the US twin deficits that prompted sales of the US dollar and purchases of Asian currencies, including the baht and (2) Thailand's current account that reverted into surplus in July 2005, thereby enhancing investors' confidence.



The nominal effective exchange rate (NEER), calculated as a weighted average of bilateral exchange rates between the baht and major trading partners' currencies, averaged at 69.71 in 2005, close to the average of 70.15 in 2004. This reflected little change in the value of the baht vis-à-vis overall trading partners' currencies on average.

The real effective exchange rate (REER), which was deflated by relative prices to reflect Thailand's price competitiveness, continued to appreciate from the average of 77.74 in 2004 to 79.00 in 2005. This appreciation could in some sense be viewed as a deterioration in Thailand's price competitiveness in 2005 as a result of higher Thai inflation relative to trading partners'.



2.2 Money Market Interest Rates

Short-term money market rates in 2005 continued to increase in line with rising policy interest rate. The 1-day repurchase rate and the overnight interbank rate averaged at 2.63 and 2.64 per cent per annum, respectively, compared with 1.21 and 1.25 per cent per annum, respectively, in the previous year.

During the first half of 2005, short-term money market rates edged up only slightly, as

the Monetary Policy Committee (MPC), awaiting full assessment of the impact from the tsunami that occurred at end-2004 as well as other negative disturbances to growth, raised the policy rate twice by 50 basis points in total.

By the second half of 2005, it had become clear that the impact of the natural disaster and other risks to growth were not different from what had been anticipated. In addition, the continued rise in oil prices, causing the Thai authority to float diesel prices in July 2005, had exerted more pressure on the general price level with a possibility that core inflation could exceed the target range going forward. Consequently, the MPC decided to raise the policy rate in a series of meetings and at a faster pace to temper the inflationary pressure. In sum, the MPC raised the policy rate by 1.50 percentage points in the second half of 2005, prompting the short-term money market rates to climb accordingly.

2.3 Government Bond Yields

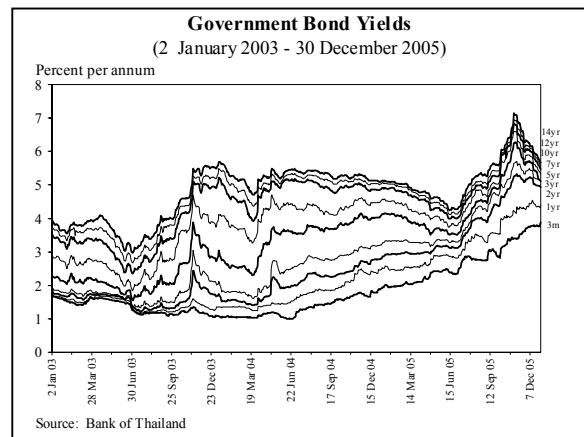
In 2005, overall government bond yields rose from the previous year. Short-term yields rose in line with a series of domestic policy rate hike and US government bond yields. Meanwhile, the rise in medium- and long-term yields was modest, resulting in a flatter yield curve in general. Strong demand for bonds at medium to long maturities coupled with lower-than-expected inflation at end-2005 was believed to have caused the market to lower their future inflation expectations, thereby making yield increases toward the long end of the curve fairly small.

Movements of government bond yields in each quarter are summarized as follows:

In 2005 Q1, short-term yield rose from the level at end-2004 as investors expected the policy rate to increase during the beginning of March, which would be the first rate hike after a pause in January when the MPC was awaiting clearer natural disaster impact assessment. Meanwhile, medium- and long-term yields fell as investors demanded more bonds of those maturities amid concerns over their supply shortage going forward.

Overall short-term yields in 2005 Q2 rose from the previous quarter. Most investors expected the policy rate to keep rising. However, toward the end of 2005 Q2, 1-month government bond yield declined as financial institutions sought to reduce their deposit base in order to lower the Financial Institutions Development Fund (FIDF) fees, paid twice yearly. At the same time, medium- and long-term yields adjusted downward in line with US government bond yields and domestic factors, including moderated growth outlook and uncertainty arising from the cancellation of bond issuance in June.

In 2005 Q3, short-term yields rose further after the MPC decided to raise the policy rate by 50 basis points in September. However, as the magnitude of this rate hike exceeded market expectation, investors began to anticipate a more aggressive pace of policy rate increases going forward. As a result, medium- and long-term yields rose considerably, reflecting higher risk premium in the bond market. Meanwhile, investors shortened the duration of their bond portfolios to reduce market risk, causing a decline in yields on short-term bonds, especially on those with maturity of less than 3 months.



In 2005 Q4, government bond yields were volatile, particularly medium- and long-term yields that rose significantly after the second consecutive 50-basis-point hike in October. However, medium- to long-term bond yields fell substantially toward the end of the quarter, owing to lower-than-expected inflation figures in November 2005 from which investors interpreted a less steep policy rate path going forward. Moreover, domestic and foreign mutual funds' demand for medium- and long-term bonds strengthened given relatively high Thai bond yields vis-à-vis regional markets.

3. Commercial Bank Deposits and Claims

3.1 Commercial Bank Deposits

Commercial bank deposits grew at an accelerating pace of 8.4 per cent at end-2005 from 2.6 per cent at end-2004. Factors contributing to such increase were the upward interest rate path, which attracted depositors, as well as the impact of financial institutions' merging and upgrading to commercial bank status, which resulted in a larger number of commercial banks. However, excluding the impact of mergers and status upgrades of financial institutions, deposits at end-2005 grew by 4.8 per cent, accelerating from those at end-2004 and early-2005.

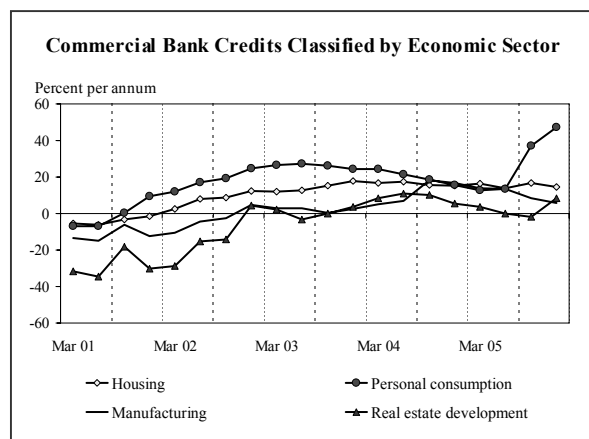
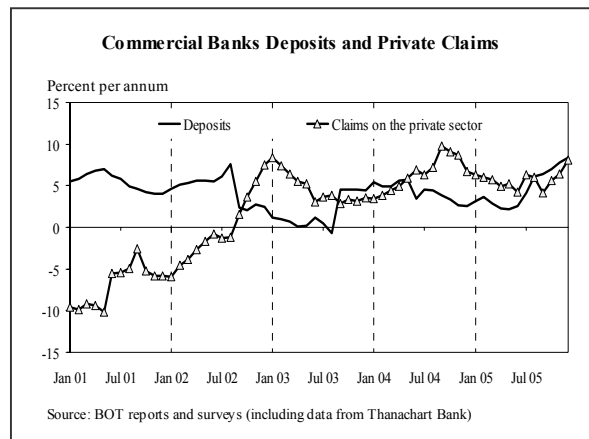
3.2 Commercial Bank Claims on the Private Sector (Including Investment in Private Securities)

At end-2005, commercial bank claims on the private sector (including investment in private securities) grew by 8.1 per cent, partly due to the mergers and status upgrades of financial institutions. Excluding such impact, claims on the private sector grew by 4.0 per cent at end-2005.

Once adjusted for the impact of mergers and upgrades, the expansion of private claims slowed down in the first half of 2005, in line with the slowdown in economic activities. This slowdown was due to various adverse factors. In the latter half of 2005, private claims' growth pace quickened, reflecting a pickup in economic activities.

With regard to commercial bank credit classified by economic sectors, personal

consumption loans accelerated during the second half of 2005. This acceleration was caused by the transfer of personal consumption loans extended by finance companies in the form of hire-purchase loans into the banking system under the Financial Sector Master Plan. As for credits extended for manufacturing, however, there was a growth slowdown. This deceleration did not necessarily reflect a downward investment trend going forward, as businesses had adjusted their financing structure by shifting from bank credits to other sources of financing, such as retained earnings and debt instruments.



3.3 Commercial Banks Interest Rates

Although the MPC had gradually raised the policy interest rate since end-2004, deposit and lending reference rates of commercial banks, especially large banks, had remained unchanged until mid-2005. The sluggish adjustment was due mainly to significant excess liquidity in the banking system, which resulted in less need to attract more deposits and therefore for commercial banks to raise their reference rates particularly the deposit rate.

Commercial banks started to raise their reference rates for long-term deposits before pushing up short-term deposit and lending rates. At end-2005, the 12-month fixed deposit rates

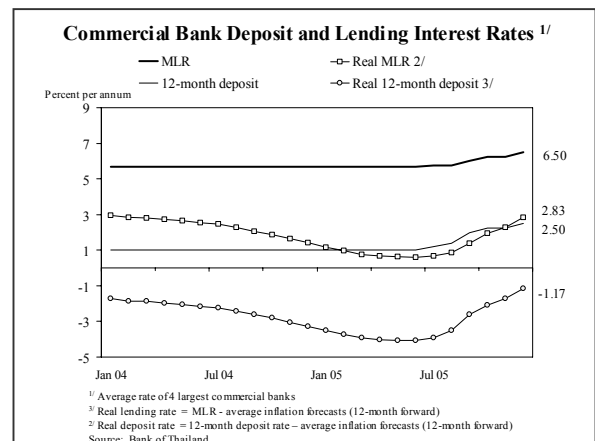
and the minimum lending rates (MLRs) of the four largest Thai commercial banks averaged at 2.50 and 6.50 per cent per annum, respectively, increasing from 1.00 and 5.69 per cent per annum, respectively, at end-2004.

The real deposit rate remained negative, but rose steadily thanks to gradual commercial banks' interest rate increases in 2005 together with lower inflation expectations toward the end of 2005. At end-2005, real 12-month deposit rate and real MLR of the four largest Thai commercial banks averaged at -1.17 and 2.83 per cent per annum, respectively.

Percent Per Annum	2004	2005			
	End of Dec	Q1	Q2	Q3	Q4
Deposit rates, 12-month fixed					
Four largest banks, average	1.00	1.00	1.00	2.00	2.50
Other banks, average ^{1/}	1.31	1.39	1.46	2.20	2.75
Minimum lending rates					
Four largest banks, average	5.69	5.69	5.69	6.00	6.50
Other banks, average ^{1/}	6.03	6.03	6.03	6.37	6.80

Remark: ^{1/} Other commercial banks are Thai commercial banks, including those that were upgraded in accordance with the One Presence policy, but excluding retail banks. These new commercial banks were TMB Bank (after the merger of Thai Military Bank, DBS Thai Danu Bank and the IFCT) in September 2004, Tisco Bank in July 2005, Kiattanakorn Bank in October 2005, United Overseas Bank (after the merger with UOB Rattanasin Bank and Bank of Asia) in November 2005, and ACL Bank (after the merger between Asia Credit Finance and Bualuang Finance) in December 2005.

Source: Bank of Thailand



4. Performance of Commercial Banks

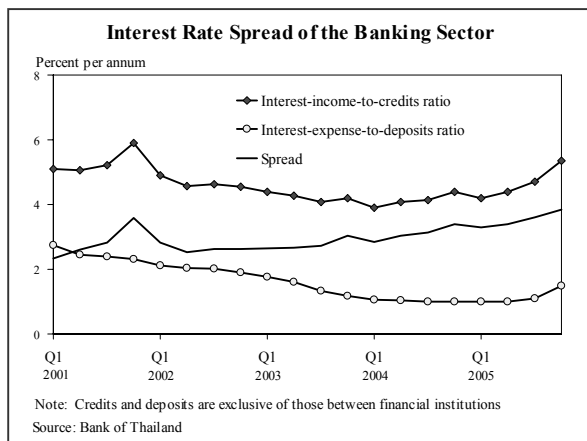
In 2005, there were 34 commercial banks in the banking system, including 16 Thai commercial banks and 18 branches of foreign commercial banks. In 2005, new commercial banks were created from finance companies and credit foncier companies that had been upgraded, including Tisco Bank, Kiatnakin Bank, ACL Bank, and Land and Houses Retail Bank. In addition, Standard Chartered Nakornthon Bank and the Thai branch of foreign-registered Standard Chartered Bank merged to form Standard Chartered Bank (Thai) Public Company Limited while UOB Radanasin Bank merged with the Bank of Asia to form United Overseas Bank (Thai) Public Company Limited. The Thai branch of the International Commercial Bank of China also changed status to become a Thai registered commercial bank.

Combined profits of all commercial banks stood at 143 billion baht, rising 19.6 per cent from the previous year. Profits of Thai commercial banks and foreign bank branches rose 16.4 per cent and 52.4 per cent, respectively. The rise in operating profits owed largely to income from loans while income from financial market investments, dividends, and fee charges also rose. Nonetheless, most commercial banks incurred large costs in human resource and operating system improvement in preparation for greater competition and requirements that would attend the advanced approach to risk management (AIRB) under Basel II by 2009. In addition, a number of Thai banks raised their loan loss provision in line with credit expansion and became more conservative in that regard.

In 2005, borrowing and lending rates of commercial banks increased in line with the 14-day repurchase rate. Nevertheless, the spread between lending and borrowing rates continued to widen until 2005 Q4. Going forward, credit extension to a wider range of corporate and retail customers, especially by new commercial banks, together with rigorous measures to reduce NPLs should help prevent the spread from narrowing in the short run as both lending and borrowing rates would keep on rising.

Unit: Billion Baht	2004	2005	2005			
			Q1	Q2	Q3	Q4
All commercial banks						
- Profits/loss from operations	119.59	143.05	34.95	34.12	35.87	38.10
- Loan loss provision	-1.75	-26.7	-4.82	-3.3	-4.49	-14.09
- Net profits/loss before tax	99.46	122.71	30.65	32.75	29.97	29.35
Thai commercial banks						
- Profits/loss from operations	108.9	126.75	31.37	29.59	32.79	33.0
- Loan loss provision	-12.87	-28.5	-4.52	-6.57	-4.23	-13.18
- Net profits/loss before tax	78.06	104.63	27.37	24.95	27.14	25.17
Foreign commercial bank branches						
- Profits/loss from operations	10.69	16.29	3.58	4.52	3.09	5.10
- Loan loss provision	11.12	1.8	-0.3	3.27	-0.26	-0.91
- Net profits/loss before tax	21.4	18.09	3.28	7.79	2.83	4.19

Source: Bank of Thailand



2.12 Capital Market

Non-bank Financing to the Private Sector

In 2005, primary non-bank financing sources for the corporate and household sectors were as follows:

1. Equity and debt securities. Issuance of common stocks by non-financial corporate amounted to 95.3 billion baht in 2005, a slight decline from 98.8 billion baht in 2004. The decline owed mainly to the effects of higher oil prices and inflation that dampened investor sentiment. The value of debentures issued by the corporate sector rose slightly to 131.3 billion baht, up from 101.7 billion baht in 2004. These issuances included debentures issued under the asset capitalization schemes, which were arranged by various Special Purpose Vehicles (SPVs) with 7 issuances of securities worth 14.5 billion baht.

Since the middle of 2004, the SEC had amended issuance and reporting rules^{1/} for bills of exchange and other short-term debt instruments in order to facilitate the issuance of such instruments. The issuance of these instruments amounted to 556.5 billion baht in 2005 whereas the total issuance was 124.2 billion baht during the second half of 2004. Total outstanding amount of such instruments, however, fell to 58.4 billion baht from 74.4 billion baht at the end of 2004.

2. Credits extended by finance companies and specialized financial institutions. Credits extended by finance companies at end-2005 fell from end-2004 by 119.2 billion baht. The fall owed largely to credit reclassification after a number of the former finance companies had been upgraded to banks. These finance companies were Tisco, Kiatnakin (which merged with Bualuang

Finance), Asia Credit, and Book Club (which merged with Land and Houses Company to form Land and Houses Retail Bank).

Credits from specialized financial institutions (SFIs) rose 215.1 billion baht or 22.4 per cent. Some of the credits extended by the SFIs was related to government policy lending, namely to (1) the program to resolve household debt problem including formal and informal debt, (2) asset capitalization operations, (3) debt restructuring for individuals, and (4) promotion of market for pre-owned houses.

3. Credits by non-bank financial institutions. Non-bank financial institutions increasingly became a significant funding source for household consumption spending. Hire-purchase credits extended by SET-listed leasing companies edged up from 1.3 billion baht in 2004 to 17.0 billion baht in 2005. Credit card spending and cash advances rose from 12.7 billion baht in 2004 to 15.5 billion baht in 2005. In the latter half of 2005, personal credits without collateral rose by 8.5 billion baht. Fees and interest charges on such credits, however, were extremely high, especially for low-income customers. To prevent excessive fees and interest charges, the BOT had introduced relevant measures on personal loans in July 2005 and monitored the development closely.

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^{1/} see the details of bills of exchange and other short term instrument's new issuance from Web. Site of Securities and Exchange Commission, Thailand . (www.sec.or.th)

Non-bank Financing to the Private Sector

(Unit: Billion Baht)

Sources of Financing	2004	2005
1. Capital market (Non-financial institutions) ^{1/}		
Equity (common and preferred stocks)	98.8	95.3
Debentures	101.7	131.3
Bill of exchange and other short-term debt instruments (started reporting in September 2004)	124.2	556.5
2. Credits from non-bank financial institutions ^{2/}		
Finance companies ^{*/}	60.2	-119.2
Specialized financial institutions	175.7	215.1
3. Credits from other non-bank financial institutions ^{3/}		
Credits from listed finance companies	1.3	17.0
Credit card loans from non-bank financial institutions	12.7	15.5
Personal credits without collateral from non-bank financial institutions (started reporting in June 2005)	n.a.	8.5

Note: ^{1/} Value of newly issued securities

^{2/} Change in the outstanding balance from the end of last year

^{3/} Change in the outstanding balance at the end of September 2005 of 12 listed companies that granted credits, with credit card loans from the 12 listed companies and personal loans from 26 listed and non-listed companies under the BOT's supervision at the end of December 2005.

^{*/} Credit outstanding at the end of December 2005 fell, owing to the upgrades of finance companies to banks including Tisco Bank, Kiatnakin Bank, ACL Bank, and Land and Houses Retail Bank

Source: Bank of Thailand, Securities and Exchange Commission, and Stock Exchange of Thailand

Section 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"> • 19 January 2005 		<p>The MPC maintained the 14-day repurchase rate at 2.00 per cent per annum. Despite the view that interest rates should stay on an upward trend, the MPC agreed that the recent natural disaster, volatility in the currency market, and high oil prices could adversely affect the economic expansion and thus decided to wait for a clearer picture to develop.</p>		<p>BOT News No.5/2005</p>
<ul style="list-style-type: none"> • 2 March 2005 		<p>The MPC raised the 14-day repurchase rate from 2.00 to 2.25 per cent per annum because upward price pressure was likely to build up going forward as production costs had already increased considerably. Furthermore, the impact of the natural disaster on the economy was not more severe than the initial assessment made in the previous MPC meeting.</p>		<p>BOT News No.7/2005</p>
<ul style="list-style-type: none"> • 20 April 2005 		<p>The MPC maintained the 14-day repurchase rate at 2.25 per cent per annum. Despite upwards price pressure, the MPC agreed that, against the backdrop of increased domestic and external risks to growth and the lack of financial imbalances arising from exceptionally low interest rates, policy tightening should be implemented at a gradual pace to facilitate the private sector's adjustment to such risks.</p>		<p>BOT News No.9/2005</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
<ul style="list-style-type: none"> • 9 June 2005 • 20 July 2005 • 7 September 2005 • 19 October 2005 • 14 December 2005 		<p>The MPC raised the 14-day repurchase rate continually from June to December 2005, bringing it to 4.00 per cent per annum at the close of the year. The MPC viewed that the growth momentum was robust and thus the economy was expected to expand going forward. Meanwhile, although the risks to inflation had begun to moderate towards the end of 2005, price pressure persisted and real interest rates remained negative. Therefore, the continuation of an upwards policy interest rate path was deemed appropriate.</p>		<p>BOT News Nos.16/2005, 21/2005, 26/2005, 32/2005, and 36/2005</p>
<p>1.2 Other interest rates</p> <p>1) A short-term reference rate for the Bangkok market</p> <p>2) Rates on bond repurchase agreements with financial institutions to maintain end-of-day liquidity</p>	<p>- All financial institutions, except securities companies and IBFs</p>	<p>The BOT commenced the official release of the Bangkok Interbank Offered Rate (BIBOR) as a benchmark rate for short-term interbank borrowing. BIBOR is the average rate of interest at which commercial banks offer to lend funds to other banks on an unsecured basis, with tenure ranging from one week to one year.</p> <p>The BOT raised the interest rate on bond repurchase agreements with financial institutions for end-of-day liquidity maintenance 6 times, following the policy rate hikes:</p> <ul style="list-style-type: none"> - to 3.75 per cent per annum - to 4.00 per cent per annum - to 4.25 per cent per annum - to 4.75 per cent per annum - to 5.25 per cent per annum - to 5.50 per cent per annum 	<p>4 January 2005</p> <p>2 March 2005</p> <p>9 June 2005</p> <p>20 July 2005</p> <p>September 2005</p> <p>19 October 2005</p> <p>14 December 2005</p>	<p>BOT News No.1/2005 4 January 2005</p> <p>BOT Circular No.FMOG (13)C.8/2548 and FRD (1)C.dated 15/2005, 18/2005, 21/2005, 24/2005 and 28/2005</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
3) Interests, discounts, and fees that financial institutions may offer or charge	<ul style="list-style-type: none"> - Commercial banks (excluding IBFs) - Finance companies 	<p>The BOT stipulated that financial institutions must announce their effective interest rate ceilings on credits in per cent per annum terms separately for commercial and consumer loans. In addition, financial institutions may charge fees on commercial loans at the rate set and announced by the financial institutions. In addition, fees on consumer loans may be charged on the actual basis or at a reasonable amount for certain items as specified by the BOT.</p>	29 August 2005	<p>BOT Circular No.PPD. (21)C. 69/2548 and 70/2548 (Thai only), dated 4 August 2005 and BOT Notification, dated 29 June 2005</p>
<p>2. Money Market Measures</p> <p>1) Issuance of Bank of Thailand bonds with maturities exceeding one year</p> <p>2) Issuance of Government savings bonds during the fiscal year 2005-2006 by a total amount of 30,000 million baht</p>		<p>The BOT started to issue two-year fixed-coupon BOT bonds on a regular basis as of May 2005 to ensure a balance in the maturity structure of BOT bonds, provide investment alternatives for investors, and foster the development of the Thai bond market.</p> <p>The Ministry of Finance (MOF) announced the issuance of Government savings bonds by a total amount of 30,000 million baht for the fiscal year 2005-2006. The bonds of 5-year and 7-year maturities were to be sold to individuals with Thai nationality or Thai residency permits as well as to foundations.</p>		<p>BOT News No.11/2005, dated 27 April 2005</p> <p>BOT News No.24/2005, dated 8 August 2005</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
<p>3. Foreign Exchange Controls</p> <p>1) Relaxation of regulations on foreign exchange controls</p>	<ul style="list-style-type: none"> - Life insurance companies - The Government Pension Fund - The Social Security Fund - Specialized financial institutions - Mutual funds - Provident funds 	<p>The BOT allowed 6 types of institutional investors to invest in foreign securities, in addition to the amounts formerly permitted but expired as of end-2004, as follows:</p> <p>1) Institutional investors were allowed to invest in Thai securities issued abroad as well as in foreign securities issued by sovereign, quasi-sovereign and supranational entities and in foreign mutual funds, with a total limit of 1,500 million US dollars.</p> <p>2) For mutual funds and provident funds, a limit of 500 million dollars was set for investment in Thai securities, with the Securities and Exchange Commission (SEC) having authority to allocate that sum.</p>		<p>BOT News No.10/2548 (Thai only), dated 21 April 2005</p>
<p>2) Limit on baht borrowings from non-residents</p>	<ul style="list-style-type: none"> - Securities companies 	<p>The BOT allowed securities companies to borrow in Thai baht or engage in transactions comparable to Thai baht borrowing, e.g., direct loan or issuance of short-term debt instruments to non-residents, with a contract maturity of not more than 3 months and without underlying trade or domestic investment transactions, within the outstanding limit of 50 million baht per entity. However, with underlying trade or domestic investment transactions belonging to the clients of the securities companies, borrowing in Thai baht from non-residents would be permitted up to the value of the underlying activities.</p>		<p>BOT Circular No.BOT.SED(03)C.1069/2548 (Thai only), dated 9 June 2005</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
3) Issuance of baht bonds	<ul style="list-style-type: none"> - Commercial banks (excluding IBFs) - Islamic Bank of Thailand - Government Savings Bank - Small and Medium Enterprise Development Bank of Thailand - The Export and Import Bank of Thailand - Finance companies and securities companies 	<p>The BOT allowed domestic financial institutions to invest in Thai baht bonds issued by international financial institutions, foreign governments, and financial institutions of foreign governments subject to approval from the Ministry of Finance.</p> <p>Issuers of the said Thai baht bonds were required to deposit the funds raised in Special Non-resident Baht Accounts (SNA), where the outstanding balances of the accounts were allowed to exceed 300 million baht at the end of each day.</p>		BOT Circular No. BOT. SED(03)C. 986/2005, dated 26 May 2005
4. Credit Measures 1) Regulations on the undertaking of credit card business	<ul style="list-style-type: none"> - Non-financial credit card companies 	<p>The BOT specified the definition of “a branch office,” the opening of which must be reported by the non-financial credit card company to the BOT by no less than 15 days to the opening date. The BOT also raised the frequency of data reporting from a quarterly to a monthly basis, effective from the January 2005 reporting period onwards.</p>	12 March 2005	BOT Circular No. PPD (21)C. 22/2548 (Thai only), dated 15 March 2005 and BOT Notification, dated 4 March 2005 (Thai only)
2) Credit extension to or investment in businesses with beneficial interest and credit extension to shareholders of commercial banks	<ul style="list-style-type: none"> - Commercial banks - Branches of foreign commercial banks (excluding IBFs) 	<p>The BOT modified the definitions in and the essence of the previous notification as well as adding another exemption to the rules and regulations by allowing for credit extension to or investment in a juristic person established and controlled, directly or indirectly, by the government. However, the said exempted transactions must seek prior approval from the BOT.</p>	5 August 2005	BOT Circular No. PPD (21)C. 71/2005, dated 8 August 2005, and BOT Notification, dated 25 July 2005

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
3) Regulations on the undertaking of personal loan business	<ul style="list-style-type: none"> - Commercial banks - Finance companies - Non-financial institutions undertaking the personal loan business under the BOT's supervision 	<p>The BOT issued definitions and conditions for the undertaking of personal loan business under the BOT's supervision, as follows:</p> <ul style="list-style-type: none"> • "Personal loan under supervision" was defined as <ol style="list-style-type: none"> 1) A clean loan to an individual with no specific purpose of use or with a purpose of acquiring goods or services not for business use; or 2) A loan for hire-purchasing and leasing of good, except car and motorcycle, that the lender does not sell in the ordinary course of business. • Personal loan business operators were specified to include: <ol style="list-style-type: none"> 1) Commercial banks and finance companies which are eligible to operate the business without prior permission from the Minister of Finance; 2) Non-financial institutions which are required to seek prior permission from the Minister of Finance and to register as limited companies or limited public companies with a capitalization of no less than 50 million baht. These companies must submit their application for business operation through the BOT. • Key regulations were as follows: <ol style="list-style-type: none"> 1) The credit line extended to a customer shall not exceed 5 times of the customer's average monthly salary or monthly cash flow in the deposit account at a financial institution over a period of at least 6 months; 	1 July 2005	BOT Circular No. PPD. 51/2548, 52/2548 and 53/2548 (Thai only), dated 30 June 2005, Notification of the Ministry of Finance, dated 9 June 2005 (Thai only), and BOT Notification, dated 20 and 24 June 2005 (2 issues) (Thai only)

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
		2) The effective interest rate charged to the customer shall not exceed the rate of 28 per cent per annum.		
<p>5. Supervision and Financial Institutions Development Measures</p> <p>5.1 Supervision of Financial Institutions</p> <p>5.1.1 Supervision Measures</p> <p>1) Extension of asset types classified in Article 6 or for capital funds of foreign commercial bank branches</p> <p>2) Policy guidelines on the maintenance of capital funds for market risks arising from commodity derivative transactions</p>	<p>- Branches of foreign commercial banks</p> <p>- All commercial banks (excluding IBFs and retail banks)</p>	<p>The BOT expanded asset types that could be counted as capital funds to include investment units which invest entirely or partly in assets permissible as capital funds by Article 6, with investment units in the latter case being eligible only up to the portion of permissible assets.</p> <p>The BOT announced as follows:</p> <p>1) Commercial banks were required to assess their capital funds requirement for market risks arising from commodity derivative transactions, starting from the period ending on 31 March 2005, and submit related reports;</p> <p>2) Commercial banks were required to maintain capital funds in accordance with the above assessment.</p>	<p>26 October 2005</p> <p>1 July 2005</p>	<p>BOT Circular No. PPD (21)C. 25/2548 (Thai only), dated 7 December 2005 and Notification of the Ministry of Finance dated 10 October 2005</p> <p>BOT Circular No. PPD. (21)C. 438/2548, dated 2 March 2005</p>
<p>3) Securities business in the form of securities brokerage, securities dealing, or underwriting of investment units</p>	<p>- All commercial banks (excluding IBFs)</p>	<p>The BOT allowed commercial banks with license issued by the Securities and Exchange Commission (SEC) to conduct securities business in the form of securities brokerage, securities dealing, or underwriting of investment units in accordance with the guidelines stipulated by the BOT.</p>	<p>1 May 2005</p>	<p>BOT Circular No. FID. (11)C.33/2005 (Thai only), dated 6 May 2005 and Notification of the BOT, dated 25 March 2005</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
		<p>Subsequently, the BOT also allowed commercial banks conducting limited brokerage, dealing and underwriting of investment unit (LBDU) to invest in investment units under certain restrictions. For example, investment in a debt instruments mutual fund must not exceed 20 per cent and investment in other types of mutual funds must not exceed 10 per cent of the investment units already sold.</p>	29 September 2005	<p>BOT Circular No. PPD. (21)C. 1/2548, dated 5 October 2005 and Notification of the BOT, dated 19 September 2005</p>
<p>5.1.2 Establishment of a commercial bank branch</p> <p>1) Modification of rules and conditions on the establishment of a commercial bank branch in provincial area</p>	- All commercial banks	<p>The Minister of Finance agreed to modify rules and conditions regarding the establishment of a commercial bank branch in provincial area. Previously, a commercial bank had been required to extend provincial credits no less than 60 per cent of the deposits mobilized through a provincial branch and, in failing to do so, must deposit the gap at the BOT or hold securities in the form of government or state enterprise bonds by the same amount. Under the modified rules, commercial banks were also allowed to hold securities in the form of investment units, provided that they invest in government or state enterprise bonds, in accordance with the guidelines stipulated by the BOT</p>	11 October 2005	<p>BOT Circular No. PPD. (21)C. 2108/2548, dated 3 November 2005</p>
<p>2) Application for the establishment of commercial bank branches and sub-branches</p>	- All commercial banks	<p>The Minister of Finance modified rules and conditions related to the establishment of branches and sub-branches as follows:</p>	25 February 2005	<p>BOT Circular No. PPD. (21)C. 552/2548, dated 22 March 2005</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
		<p>1) Abolish previous rules regarding branch distribution between high and low branch-density areas as well as the regulation that a sub-branch must be at least 500 metres from an existing branch. 2)</p> <p>2) Stipulate that, in order to apply for a new branch or sub-branch, a commercial bank must have sound financial status as well as good management and good governance. It must also be able to demonstrate that the opening of the new branch or sub-branch is consistent with its strategic plan.</p> <p>3) Allow for greater flexibility under certain circumstances, for example, commercial banks need not open branches in rural areas where branches of specialized financial institution already exist.</p>		
<p>5.1.3 Debt restructuring</p> <p>1) Permission to engage in the business of purchasing loans and accepting loan transfers</p>	<p>- All commercial banks (excluding IBFs)</p>	<p>The BOT expanded the set of debtors and counterparties from whom commercial banks could purchase loans or accept loan transfers to include: (1) hire purchase and leasing clients, and (2) juristic persons.</p>	<p>12 March 2005</p>	<p>BOT Circular No. FID.(11)C. 3/2548, dated 17 March 2005 and Notification of the BOT, dated 4 March 2005</p>
<p>2) Permission to conduct hire purchase and leasing business due to debt resulting</p>	<p>- All commercial banks (excluding IBFs)</p> <p>- Finance companies</p>	<p>The BOT extended the period during which financial institutions could conduct hire purchase and leasing business with properties received under debt restructuring agreements for 2 more years until 31 December 2006. This privilege was extended with additional conditions and restrictions and applied to certain types of debt only.</p>	<p>1 January 2005</p>	<p>BOT Circular No.PPD (21) C. 47/2548 and 61/2548 (Thai only), dated 27 May 2005 and 28 July 2005, respectively and Notification of the Ministry of Finance dated 28 June 2005</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
3) Permission to undertake hire purchase and leasing business	- All commercial banks (excluding IBFs)	The BOT required commercial banks to provide insurance coverage for hire-purchased and leased properties for which commercial banks are beneficiaries. In addition, the BOT set the calculation method for the maximum amount which a retail bank may invest in properties for the hire purchase or leasing business.	10 May 2005	BOT Circular No. FID (11)C. 34/2548, dated 11 May 2005 and Notification of the BOT, dated 7 April 2005
4) Extension of the possession period of foreclosed immovable properties	- All commercial banks (excluding IBFs) - Branches of foreign commercial banks - Finance companies - Credit foncier companies	The BOT allowed financial institutions to hold possession of immovable properties received between 1 January 2005 and 31 December 2006 from debt restructuring non-performing assets prior to 1 January 2005, beyond the date previously stated	1 January 2005	BOT Circular No. PPD (21)C. 800/2548 and 801/2548, dated 4 May 2005
5) Regulations for the disposal of foreclosed immovable properties from debt repayments	- All commercial banks (excluding IBFs of foreign bank branches) - Finance companies - Credit foncier companies	The BOT extended the period during which financial institutions could hold possession of foreclosed immovable properties obtained from debt repayments for another 2 years. However, financial institutions were required to raise annual provisions for the said properties based on the lower value between appraisal and accounting prices, with provisioning to begin in the second half of the 2006 accounting period.	6 September 2005	BOT Circular No. PPD (21)C. 81/2548 and 82/2548, dated 7 September 2005 and Notification of the BOT, dated 18 August 2005

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
6) Amendment of the regulations pertaining to the purchase or possession of shares of a limited company at a level exceeding the limit prescribed by law	<ul style="list-style-type: none"> - All commercial banks - Finance companies - Credit foncier companies 	The BOT allowed financial institutions to purchase or possess shares of a limited company in excess of the rate prescribed by law as a result of debt restructuring before 1 January 2005. However, financial institutions were required to reduce the share holding to be within the limit prescribed by law within 3 years.	1 January 2005	BOT Circular No. PPD. (21)C. 798/2548 and 799/2548, dated 4 May 2005
5.2 Financial Institutions Development 1) Temporary exemptions for foreign commercial bank branches and foreign bank subsidiaries following business adjustment in accordance with the Financial Sector Master Plan	<ul style="list-style-type: none"> - Foreign commercial bank branches 	The BOT announced the following guidelines for foreign commercial bank branches and foreign bank subsidiaries: 1) Foreign commercial bank branches and foreign bank subsidiaries must follow all aspects of risk management regulations previously required on commercial banks; 2) Regulations on the single lending and related lending limits are temporarily waived for transactions signed prior to the date the Minister of Finance agreed to the status change in accordance with the Financial Sector Master Plan.	10 March 2005	BOT Circular No. PPD (21)C. 474/2548 (Thai only), dated 10 March 2005
2) Scopes of business and transactions of retail banks	<ul style="list-style-type: none"> - Finance companies and credit foncier companies - Retail banks 	The BOT specified the scope of business for retail banks, allowing them to serve only retail customers and small and medium enterprises within the credit limits specified by the BOT and prohibiting international settlement transactions unless having been granted permission from the Minister of Finance. Engagement in derivative instruments was also prohibited, except for the purpose of hedging for their own business.	15 November 2005	BOT Circular No. FID (21)C. 2210/2548 (Thai only), dated 22 November 2005 and Notification of the BOT dated 26 October 2005 (Thai only)

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
<p>3) Separation line between retail customers and small and medium enterprises and definition of collateralised credits to retail customers</p>	<p>- Finance companies and credit foncier companies - Retail banks</p>	<p>The BOT provided the following guidelines:</p> <p>1) The separation line between retail customers and small and medium enterprises (SMEs) should consider the following:</p> <p>(1.1) Objective of borrowing: if the loan is for business purpose, it should be classified under loans to SMEs and;</p> <p>(1.2) Availability of business location: if business location is not available, the loan should be classified under loans to retail customers.</p> <p>2) Collateralised credits to retail customers were defined as credits with collateral assets or full guarantee, as previously specified in a BOT circular to retail banks. The value of the collateral assets should also be appraised professionally, and the foreclosure of these assets must also be enforceable.</p>	<p>30 November 2005</p>	<p>BOT Circular No. FID (11)C. 138/2547 (Thai only), dated 30 November 2005</p>
<p>6. Financial Assistance to Priority Economic Sectors</p> <p>1) Financial assistance to chicken farmers affected by avian flu</p>	<p>- All commercial banks</p>	<p>The BOT provided special financial assistance through commercial banks in terms of working capital by purchasing the promissory notes at the face value equal to the amount of collaterals provided by entrepreneurs. The financial assistance was applied for poultry farming business, slaughter house business, poultry transformation plants, poultry trading business as well as poultry and poultry products exports and would be charge at the rate 0.01 per cent per annum, while commercial banks</p>		<p>BOT Circular No. FOMG (04)C. 1101/2548, dated 15 June 2005</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
		<p>are allowed to charge the promissory notes issuers no more than 2 per cent per annum, providing that all notes have to due no later than 10 March 2006.</p> <p>The BOT's financial assistance was later extended to cover poultry farmers who aim to develop and upgrade farming standards.</p>		
<p>2) Financial assistance to the entrepreneurs affected by tidal waves in the six southern provinces</p>	<ul style="list-style-type: none"> - Commercial banks - Finance companies 	<p>The BOT would extend credit facility through purchasing promissory notes from the financial institutions at 80 per cent of its face value provided by entrepreneurs as collateral in order to relieve debt burden as well as to provide working capital for rehabilitation. The BOT would charge financial institutions at the rate 0.01 per cent per annum, while financial institutions are allowed to charge their clients at the rate not higher than 2 per cent per annum. Latest due date of promissory notes should not be later than 28 February 2008.</p>		<p>BOT Circular No. FOMG (04)C. 36/2548, dated 10 January 2005 and 28 January 2005</p>
<p>3) Financial assistance to entrepreneurs affected by the outbreak of violence in the three southern boarder provinces</p>	<ul style="list-style-type: none"> - All Commercial banks 	<p>The BOT would extend credit facility through purchasing promissory notes from commercial banks at the full face value provided by entrepreneurs as collateral in order to relieve debt burden as well as to provide working capital for rehabilitation. The BOT would charge financial institutions at the rate 0.01 per cent per annum, while financial institutions are allowed to charge their clients at the rate not higher than 1.5 per cent per annum. Latest due date of Promissory notes should not be later than 28 February 2006</p>	<p>28 January 2005</p>	<p>BOT Circular No. FOMG (04)C. 37/2548, 160/2548 and 162/2548, dated 10 January 2005 and 28 January 2005</p>

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
		The BOT later extended the termination date of promissory noted to 28 February 2007	15 September 2005	BOT Circular No. FOMG (04)C. 1724/2548, dated 15 September 2005
4) Credit line with promissory notes in connection with small and medium enterprises as collateral as stated in the Bank of Thailand regulations B.E. 2546	<ul style="list-style-type: none"> - Commercial banks - Finance companies - Small- and Medium-enterprise Development Bank of Thailand - Export and Import Bank of Thailand - Bank for Agriculture and Agricultural Cooperatives - Government Savings Bank - Islamic Bank of Thailand 	Financial institutions intending to borrow in accordance with the regulations on borrowing and lending, whereby promissory notes in connection with small- and medium-enterprise were to be used as collateral, B.E. 2546, were required to notify the BOT the credit line for the year 2006 (1 October 2005-30 September 2006) and their credit extension plan within 11 August 2005.		BOT Circular No. FOMG (04)C. 1316/2548, dated 21 July 2005
5) Financial assistance to entrepreneurs in Songkhla and Satun affected by the outbreak of violence in the three southern boarder provinces	<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 	The BOT would extend credit facility through purchasing promissory notes from financial institutions provided by entrepreneurs in Songkhla and Satun affected by the outbreak of violence in the three southern boarder provinces, with 5,000 million baht credit line: 3,000 million baht provided from the BOT, while 2,000 million baht were from financial institutions. The BOT would charge financial institutions at the rate 1.0 per cent per annum, while financial institutions are allowed	1 January 2005	BOT Circular No. ECD (22)C. 2477/2548, dated 30 December 2005 and BOT News No.40/2548 Dated 29 December 2005

3.1 Monetary measures	Party involved	Salient points	Effective dates	Source
	- Government Savings Bank	to charge their clients at the rate not higher than MLR minus 2.75 per cent per annum. Each entrepreneur was expected to obtain this credit facility no more than two years. Latest due date of promissory notes should not be later than 31 December 2008.		

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
<p>1. Tax Measures</p> <p>1.1 Ministerial regulations on tax exemption for personal income taxpayers who donated money to any bank or private entity in aid of victims of the natural disaster</p> <p>1.2 Draft Royal Decree on income tax exemption for juristic companies or partnerships in the 6 Andaman coast provinces affected by the natural disaster, allowing for the exclusion of compensations received from insurance companies or partnerships in excess of their asset values from being counted as taxable income</p> <p>1.3 Draft ministerial regulations on tax exemption</p> <p>1) Measures to aid victims of the natural disaster in 6 Andaman coast provinces No. 253 for tax exemption on their assessable income</p> <p>2) Measures to aid victims of the natural disaster in 6 Andaman coast provinces No. 254 for tax exemption on donation for victims of the natural disaster and other calamities</p> <p>3) Personal income tax exemption on civil servants and members of government pension fund who had retired under the early retirement programme</p>	<p>Cabinet Resolution</p> <p>Cabinet Resolution</p> <p>Cabinet Resolution</p>	<p>18 January 2005</p> <p>22 February 2005</p> <p>5 April 2005</p>	<p>26 December 2004 – 31 May 2005</p> <p>-</p> <p>-</p>	<p>www.thaigov.go.th</p> <p>Select</p> <ul style="list-style-type: none"> - Cabinet Resolution - Archive - Date

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
1.4 Measures to reduce the diesel excise tax by 1 baht per litre for 6 months (1 June – 30 November 2005). Afterwards, the rate would be raised in two 0.50 baht increments per litre. (The first period was 1 December 2005 - 31 March 2006, and the second period was from 1 April 2006 onwards). Estimated revenue loss was 14,000 million baht.	Cabinet Resolution	31 May 2005	-	
1.5 Draft ministerial regulations No.255 (B.E.2548) on tax exemption on donation to juristic companies or partnerships or other juristic entities to aid victims of the natural disaster on 26 December 2004	Cabinet Resolution	14 June 2005	-	
1.6 Tax measures to help support economic expansion: (1) Promotion of labour skill development, allowing companies to deduct twice the amount of such expenses instead of 1.5 times for tax calculation purpose; (2) Promotion of extra cost of living allowances, allowing companies to deduct 1.5 times the amount for tax calculation purpose between 1 August 2005 and 31 December 2007	Cabinet Resolution	19 July 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
1.7 Draft Royal Decree on value-added tax (VAT). Extension by 2 years of VAT reduction from 10 per cent to 6.3 per cent, from 1 October 2005 until 30 September 2007.	Cabinet Resolution	9 August 2005	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
1.8 Draft Royal Decree on tax exemption for the extension of tax privileges for joint ventures registered with the Securities and Exchange Commission of Thailand, from 30 January 2005 until 30 January 2008	Cabinet Resolution	13 September 2005	-	
1.9 Draft ministerial regulations on tax exemption for taxpayers who are Thai residents and over 65 years old, allowing income not exceeding 380,000 baht to be excluded from taxable income from 1 January 2005 onward	Cabinet Resolution	27 September 2005	-	
<p>1.10 Draft Royal Decree on tax exemption for national competitiveness promotion as follows:</p> <ol style="list-style-type: none"> 1) Shortening the period of tax exemption on juristic companies or partnerships' stock holding in small and medium enterprises (SMEs) established as venture capital business 2) Corporate income tax exemption for public company limited established under Thai law on dividends from holding shares of juristic companies or partnerships established under foreign law 3) Specific business tax exemption for juristic companies or partnerships on the sale of plant (including land) for the purpose of relocation into industrial estates in accordance with the Industrial Estates Act 	Cabinet Resolution	11 October 2005	-	<p>www.thaigov.go.th</p> <p>Select</p> <ul style="list-style-type: none"> - Cabinet Resolution - Archive - Date

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
1.11 Draft ministerial regulations in accordance with the Excise Tax Acts B.E. 2547, which cancelled and replaced the existing 21 regulations with one new regulation, except for regulation No.324 (B.E.2542), which exempted tax on service businesses such as horse racetracks and golf courses, as they already claimed large tax exemption on donation to non-profit organizations	Cabinet Resolution	18 October 2005	-	
1.12 Draft ministerial regulations under the law development plan of the Excise Department in accordance with the national law development plans	Cabinet Resolution	1 November 2005	-	
1.13 Tax measures to enhance economic value: (1) measures to induce private sector to replace their machines between 1 January 2006 and 31 December 2010, (2) measures to stimulate investment with tax privileges for five accounting periods beginning 1 January 2006 onwards	Cabinet Resolution	20 December 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
2. Expenditure Measures				
2.1 Draft regulations on multi-year debt obligation and on integrated management of provincial budget	Cabinet Resolution	15 February 2005	-	
2.2 Execution of the supplementary budget for fiscal year 2005 worth 50,000 million baht	Cabinet Resolution	12 April 2005	-	
2.3 The acceleration of the Central Fund Budget disbursement for fiscal years 2003 – 2005 totalling 115,500 million baht	Cabinet Resolution	3 May 2005	-	
2.4 Strategies for budget allocation and budget structure for fiscal year 2006	Cabinet Resolution	3 May 2005 31 May 2005	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
2.5 Approval of Draft Budget Act B.E.2549 with total budget expenditure of 1,360 billion baht	Cabinet Resolution	21 June 2005	-	
2.6 The acceleration of budget disbursement for capital expenditure in fiscal year 2005 and plans for budget management of fiscal year 2005 and following fiscal years	Cabinet Resolution	5 July 2005 19 July 2005	-	
2.7 Draft Royal Decree on allowances for pensioners regarding a raise in allowances for those who received pension of less than 5,100 baht to match this benchmark	Cabinet Resolution	22 February 2005 23 August 2005	-	
<p>2.8 Revision of civil servant's remuneration for fiscal year 2006 as follows:</p> <p>(1) Increase base salary at all levels of civil service by 5 per cent</p> <p>(2) Increase allowances for pensioners by 5 per cent</p> <p>(3) Temporary increase in extra cost of living allowances for junior civil servants, so that salary including extra allowances increased from 7,000 baht to 7,350 baht, while the combined amount was raised from 10,000 baht to 10,500 baht</p>	Cabinet Resolution	30 August 2005	1 October 2005	<p>www.thaigov.go.th</p> <p>Select</p> <ul style="list-style-type: none"> - Cabinet Resolution - Archive - Date
2.9 Draft Act on civil service pensions and gratuities and the Government Pension Fund to provide the pensioners with living expenses appropriate to current economic condition. In this regard, the pensioners could make use of the rights on descended pensions as guaranteed assets for borrowing money.	Cabinet Resolution	13 September 2005	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
2.10 Draft ministerial regulations in accordance with the Social Security Act regarding child support, increasing from 200 to 350 baht per month	Cabinet Resolution	15 November 2005	-	
2.11 Measures and guidelines to speed up budget disbursement for fiscal year 2006, setting the budget disbursement rate at 93 per cent of the total budget of 1.36 trillion baht and no less than 73 per cent of capital expenditure budget of each government branch	Cabinet Resolution	22 November 2005	-	
2.12 The acceleration of disbursement and implementation of measures to strengthen economic stability for fiscal year 2005 and fiscal year 2006	Cabinet Resolution	20 December 2005	-	
3. State Enterprise Measures				www.thaigov.go.th
3.1 The improvement of the minimum standard of state enterprise employment	Cabinet Resolution	22 February 2005	-	Select - Cabinet Resolution - Archive - Date
3.2 Draft regulations of the Office of the Prime Minister regarding the regulating committee for electricity providers	Cabinet Resolution	1 March 2005	-	
3.3 Budget determination on investment plan for selected public investment's mega projects over 1,000 million baht	Cabinet Resolution	5 April 2005	-	
3.4 Corporatization and establishment of the Electricity Generation Authority of Thailand (EGAT) as a public company limited, with 60,000 million baht authorized capital at par value of 10 baht per share; and EGAT employee salary increase (of 8 and 15 per cent) effective retroactively from 1 April 2004	Cabinet Resolution	10 May 2005	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
3.5 Adjustment of the daily minimum wage for state enterprise employees; (1) from 170 baht to 175 baht (2) from 175 baht to 181 baht	Cabinet Resolution	10 May 2005 4 October 2005	- 1 August 2005	
3.6 Capital-raising plan for EGAT and guidelines for the determination of electricity prices	Cabinet Resolution	30 August 2005	-	
3.7 State enterprises' investment plan for fiscal year 2006 with 296 billion baht disbursement or a deficit of 1 per cent of GDP (formally proposed for 420 billion baht disbursement, or deficit of 2 per cent of GDP)	Cabinet Resolution	27 September 2005	-	
3.8 Establishment of the Mass Transit Authority of Thailand (Public Organization) to oversee project implementation and provide policy recommendation, including financing, as well as guideline to ensure efficient and fair mass transit services	Cabinet Resolution	18 October 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
3.9 Six-step guideline for EGAT share allocation, giving electricity users first priority as subscribers through random selection	Cabinet Resolution	1 November 2005	-	
3.10 The dissolution of the Express Transportation Organization of Thailand	Cabinet Resolution	27 December 2005	Draft Royal Decree subsequently proclaimed as Law	
4. Local Government Measures				
4.1 Draft ministerial regulations on the allotment and receipt of pensions and gratuities for local civil servants	Cabinet Resolution	18 January 2005	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
4.2 Upgrading Office of the Board of Fiscal Decentralisation to the status of local administrative authority under the Office of the Prime Minister, equivalent to a governmental department	Cabinet Resolution	8 March 2005	-	
4.3 Postponement of the transfer of education services under the Office of Basic Education Commission to local administrative authorities	Cabinet Resolution	30 August 2005 8 November 2005	-	
4.4 Strategies and managerial plans for development of Bangkok Metropolitan and Vicinities (B.E. 2548 – 2551)	Cabinet Resolution	25 October 2005	-	
4.5 Draft Royal Decree on remuneration for committees in accordance with the regulations on local personnel management B.E.2542	Cabinet Resolution	20 December 2005	-	www.thaigov.go.th Select - Cabinet Resolution - Archive - Date
5. Public Borrowing and Debt Management Measures				
5.1 Approval for the Energy Fund Management Institute (public organization) to issue bonds of no more than 85,000 million baht. In case total bond sale was insufficient to compensate for the loss from ongoing petrol subsidies, the government would allocate the budget at a maximum of 12,000 million baht to the EFMI to facilitate liquidity management.	Cabinet Resolution	31 May 2005 20 September 2005	-	
5.2 Draft ministerial regulations on the issuance, transfer, collateral and pledging of debt instruments, and on other financial transactions associated with public debt restructuring	Cabinet Resolution	31 May 2005	-	

3.2 Fiscal Measures	Source	Date of Announcement	Effective Dates	Link
<p>6.2 Projection of government revenues for fiscal year 2005 and fiscal years 2006-2009. For fiscal year 2005, estimated government net revenues amounted to 1.25 trillion baht. For fiscal years 2006-2009, the estimates were 1.36, 1.49, 1.63, and 1.78 trillion baht, respectively, given revenue buoyancy of 1.1.</p>	Cabinet Resolution	1 March 2005	-	<p>www.thaigov.go.th</p> <p>Select</p> <ul style="list-style-type: none"> - Cabinet Resolution - Archive - Date
<p>6.3 Encouraging government agency executive to share responsibility and monitor the use of GFMS (Government Fiscal Management Information System) so that its implementation was efficient and accurate</p>	Cabinet Resolution	7 June 2005	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
1. Agricultural Measures				
1.1 Establishment of the Central Market for Agricultural Products at Trad, eastern provinces, and Rayong province for rubber in the eastern region	Cabinet Resolution	4 January 2005 22 February 2005 2 August 2005 25 October 2005	-	
1.2 National strategy on organic agriculture	Cabinet Resolution	4 January 2005	-	
1.3 Agricultural production reform	Cabinet Resolution	25 January 2005	-	
1.4 Draft Royal Decree on applying the provision in Section 4 of the Animal Epidemic Act, B.E. 2499, to epidemics in birds, chickens, ducks, geese and eggs	Cabinet Resolution	8 February 2005	-	
1.5 Resolution on farmers' debt problem	Cabinet Resolution	22 February 2005 19 April 2005 28 June 2005 12 July 2005 19 July 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution
1.6 Project to resolve pest outbreak in coconut and oil palm	Cabinet Resolution	22 February 2005	-	- Archive - Date
1.7 Approval of the project to establish the Thai Agricultural Business Promotion Company	Cabinet Resolution	29 March 2005	-	
1.8 Oil price subsidy for fishermen and farmers	Cabinet Resolution	5 April 2005, 12 July 2005, 2 August 2005	-	
1.9 Approval of financing from the central government budget to provide assistance to those affected by the drought condition	Cabinet Resolution	5 April 2005	-	
1.10 Project for career development and income enhancement for citizens in the fresh-water shrimp farming area in Pakpanang	Cabinet Resolution	3 May 2005	-	
1.11 Guideline on an integrated approach to resolve the drought problem	Cabinet Resolution	17 May 2005	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
1.12 Framework for improving the quality of jasmine rice in the north eastern region	Cabinet Resolution	17 May 2005	-	
1.13 Debt burden alleviation measure for members of agricultural cooperatives who suffered losses from the tsunami	Cabinet Resolution	7 June 2005	-	
1.14 Financial compensation (under the official guideline) to poultry farmers affected by avian flu	Cabinet Resolution	7 June 2005	-	
1.15 Endorsement of the memorandum of understanding on prevention and control for animal epidemics in the Greater Mae Khong sub-region	Cabinet Resolution	28 June 2005	-	
1.16 Endorsement of the memorandum of understanding with China on research and development of alternative energy from bio-fuel	Cabinet Resolution	28 June 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
1.17 Allocating fund for the management of Longan production in 2005 from the central government budget and the Farmers Aid Fund	Cabinet Resolution	12 July 2005 19 July 2005	-	
1.18 Draft Royal Decree on tax exemption (tax measure to support the undertaking of the International Rubber Consortium Limited)	Cabinet Resolution	12 July 2005	-	
1.19 Strategy to restructure fruit production in the eastern region	Cabinet Resolution	2 August 2005	-	
1.20 Approval of loan to relieve the impact of drought on sugarcane farmers	Cabinet Resolution	2 August 2005	-	
1.21 Strategy to promote pineapple-related businesses	Cabinet Resolution	16 August 2005	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
1.22 Measure to assist customers of Bank for Agriculture and Agricultural Cooperatives who suffered from flood in the 2004 harvest season	Cabinet Resolution	4 October 2005	-	
1.23 Establishment of the Rice Department under Ministry of Agriculture and Cooperatives	Cabinet Resolution	25 October 2005	-	
1.24 Agricultural product restructuring plan (concerning shrimp, poultry, rice, and rubber)	Cabinet Resolution	1 November 2005	-	
1.25 Policy and measures regarding the import of animal feeds in 2006 (soybean meal, maize for animal feeds and coarse fish powder)	Cabinet Resolution	22 November 2005	1 January - 31 December 2005	
1.26 Standard and procedure involving revenue estimation, payment rate and methods for sugar cane and sugar production, as well as compensation ratio between sugar cane planters and sugar plants for the 2004/2005 and 2005/2006 harvest seasons	Cabinet Resolution	22 November 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
1.27 Integrated management approach for milk and related products	Cabinet Resolution	29 November 2005	-	
1.28 Resolving the problem related to rubber in the southern provinces	Cabinet Resolution	13 December 2005	-	
1.29 Fund allocation to promote sugarcane planting in the 2006/2007 harvest season	Cabinet Resolution	20 December 2005		
2. International Trade Measures				
2.1 Protection measures to address rising imports	Cabinet Resolution	4 January 2005	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
2.2 Agreements on Thailand-Czech Republic, Thailand-New Zealand, Thailand-Cambodia, Thailand-Japan and ASEAN-Korea economic cooperation	Cabinet Resolution	4 January 2005 29 March 2005 19 July 2005 6 December 2005 20 December 2005	-	
2.3 Prohibition of import of household refrigerators, water coolers, and freezers that use Chlorofluorocarbons (CFCs) as well as import of timber and timber products	Cabinet Resolution	15 February 2005 17 May 2005 25 October 2005 22 November 2005	-	
2.4 Antidumping measures on hot-iron plates	Cabinet Resolution	1 March 2005	-	
2.5 Import of goods and services following the Thailand-New Zealand and ASEAN-China free trade agreements (FTA)	Cabinet Resolution	31 May 2005 13 September 2005	-	
2.6 Import of potatoes in 2005 and raw material for animal feeds in 2006	Cabinet Resolution	20 September 2005 22 November 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
2.7 Agreements on the adjustment of regulations and controls for ASEAN electrical and electronic equipments	Cabinet Resolution	6 December 2005	-	
2.8 Arrangement of the agreement on investment promotion and protection between the Kingdom of Thailand and the Hashemite Kingdom of Jordan	Cabinet Resolution	13 December 2005	-	
2.9 Draft Act on the import and export of goods, and 16 draft public notices of the Ministry of Commerce on import-export control measures, itemized by goods, to replace the existing royal decree	Cabinet Resolution	20 December 2005	1 January 2005	
2.10 Draft rules and procedure for the Sugarcane and Sugar Committee on the export of sugar	Cabinet Resolution	20 December 2005	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
3. Industrial Measures				
3.1 Draft Royal Decree on standard for Portland cement products	Cabinet Resolution	4 January 2005	120 days after the declaration in the government gazette	
3.2 Measure to promote primary steel production	Cabinet Resolution	18 January 2005	-	
3.3 Energy Measures	Cabinet Resolution	19 April 2005	-	
- Measures to promote energy conservation				
- Strategy on resolving national energy problems		17 May 2005	-	
- Action plan on developing and promoting bio-diesel usage		17 May 2005	-	
- Mandatory measures to resolve national energy problems		12 July 2005	-	
- Modifications of excise tax for vehicles using ethanol-mixed petrol with at least 20 per cent of ethanol		6 September 2005	-	www.thaigov.go.th
- Reduction of excise tax rate for diesel fuel that contains bio-diesel with methyl ester of fatty acid at no less than 4 per cent		13 September 2005	-	Select
- Tax measure to promote NGV usage		13 September 2005	-	- News
- Draft ministerial regulations on petrol service station		25 October 2005	-	- Cabinet Resolution
3.4 Water tunnel and pipeline construction project (Navamintr-Tapchang) by Metropolitan Waterworks Authority	Cabinet Resolution	26 April 2005	-	- Archive
3.5 Review of the master plan on natural gas pipeline system, volume 3, B.E. 2001-2011	Cabinet Resolution	17 May 2005	-	- Date
3.6 Government Mega Projects	Cabinet Resolution	14 June 2005	-	
3.7 Draft Acts on excise tax and tariff (resolving the double taxation problem on alcoholic beverage and improving the excise tax collection structure)	Cabinet Resolution	28 June 2005	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
4.3 Electricity price adjustment (Ft) 1) at an additional 3.55 satang per unit for the period of June – September 2005 2) at another 10.00 satang per unit for the period of October 2005 – February 2006	Resolution by the Subcommittee on the Automatic Adjustment Mechanism	14 June 2005 18 October 2005	1 June 2005 1 October 2005	www.eppo.go.th
5. Labour Measures 5.1 Measure to assist construction contractors in Yala, Pattani and Narathiwat 5.2 Draft regulation of the Ministry of Labour on protection and remuneration of university employees 5.3 Establishment of registration fee for alien workers 5.4 Extension of fee and fine exemptions for foreigners staying temporarily in the Kingdom 5.5 Reorganization of the management of illegal alien workers in 2005 5.6 Adjustment of the minimum wage for state enterprise employees 5.7 Readjustment of the minimum wage for 2005 5.8 Adjustment of the university employees' remunerations 5.9 Economic and employment development of border provinces in the south of Thailand 5.10 Draft notification of the Ministry of Interior on granting residency status to foreigners in 2005	Cabinet Resolution Cabinet Resolution Cabinet Resolution Cabinet Resolution Cabinet Resolution Cabinet Resolution Cabinet Resolution Cabinet Resolution	18 January 2005 15 February 2005 8 March 2005 8 March 2005 10 May 2005 19 July 2005 20 December 2005 10 May 2005 19 July 2005 30 August 2005 18 October 2005 25 October 2005	- - - - - 1 August 2005 - -	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
5.11 Wage setting in accordance with skill level in 11 industries and 30 occupations	Cabinet Resolution	22 November 2005	-	
5.12 Adjustment of the minimum wage for 2006	Cabinet Resolution	6 December 2005	1 January 2006	
6. Service Measures				
6.1 The Bangkok Mass Transit Project (including both extended routes and newly planned routes), consisting of 3 sub-projects - Blue Line 1) Hualumpong - Bangkai section 2) Bangsue-Tha Pra section - Orange Line (Bangkapi - Bangbumru section) - Purple Line 1) Bang Sue- Samsen section 2) Samsen-Ratburana section	Cabinet Resolution	4 January 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
6.2 Housing development project for low income individuals - "Bann Eua-Arthorn project" phase 4 - "Bann Mankong project" 2005-2008	Cabinet Resolution	4 January 2005 2 August 2005	-	
6.3 Agreements on arrangement of the visa exemption for ordinary passport holder between - Thailand and New Zealand - Thailand and Argentina - Thailand and Japan - Thailand and Costa Rica - Thailand and Cambodia - Thailand and Russia	Cabinet Resolution	4 January 2005 5 April 2005 19 April 2005 9 August 2005 18 October 2005 6 December 2005	- -	
6.4 Measures on Tourism - Strategies and measures to rehabilitate the tourism industry in the 6 Andaman coast provinces	Cabinet Resolution	11 January 2005 1 March 2005 8 March 2005 10 May 2005	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
- Draft announcement of the Designated Area for Sustainable Tourism Administration to specify the designated area for the Chiang Mai Night Safari	Cabinet Resolution	18 January 2005	-	
- The announcement of the additional designated area and the allocation of the mid-year 2005 budget for the master plan, action plan, and detailed designs of the two new designated areas	Cabinet Resolution	15 February 2005	-	
- Approval of organizing framework for the Thai Cultural Week in Rome as proposed by the Ministry of Culture.	Cabinet Resolution	19 April 2005	-	
- Approval of the budget for urgent projects to stimulate tourism activities for 2005	Cabinet Resolution	26 July 2005	-	www.thaigov.go.th Select - News - Cabinet Resolution - Archive - Date
- Approval of the agreement between the Government of the Socialist Republic of Vietnam and the Government of the Kingdom of Thailand on the admittance of tourist vehicles on roads between Vietnam and Thailand	Cabinet Resolution	26 July 2005	-	
- Reduction of airport fees for chartered flights via Phuket International Airport	Cabinet Resolution	15 November 2005	-	
6.5 Draft of the bilateral agreement on exchange regulations between - Thailand and Japan - Thailand and South Korea	Cabinet Resolution	25 January 2005 18 October 2005	-	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
6.6 The signing ceremony of the commitment on financial sector liberalization under the agreement on trade in services following the ASEAN third round negotiation	Cabinet Resolution	29 March 2005	-	
6.7 Draft ministerial regulation on fees according to the Aviation Act B.E. 2497 (1954)	Cabinet Resolution	25 January 2005	-	www.thaigov.go.th Select
6.8 Regulation on the usage of prepaid mobile phone services	Cabinet Resolution	10 May 2005 31 May 2005	-	- News - Cabinet Resolution - Archive - Date
6.9 Establishment of commercial maritime fleet as a joint venture between Thai Maritime Navigation Co., Ltd. and a group of Thai maritime owners	Cabinet Resolution	15 November 2005	-	
6.10 Reduction of permissible hours for the sale of alcoholic beverages	Regulation of the Ministry of Finance	16 November 2005	18 November 2005	www.ratchakitcha.soc.go.th
6.11 Measures to promote second-hand housing market - Fee collection for right transfer registration and juristic act under the Land Code Act (as part of measures to promote purchase and sale as well as mortgage transactions involving the second-hand housing markets)	Public Notification of the Ministry of Interior	15 November 2005	16 November 2005-31 December 2007	www.dol.go.th
- Fee collection for right transfer registration and juristic act under the Condominium Act (as part of measures to promote purchase and sale as well as mortgage transactions involving the second-hand housing markets)	Public Notification of the Ministry of Interior	15 November 2005	16 November 2005-31 December 2007	www.rd.go.th

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
- Tax exemption on the sale of the old residential real estate for the purchase of new residential real estate	Royal Decree (No.444 B.E. 2548)	29 November 2005	30 November 2005	www.rd.go.th/publish/29744.0.html
7. Capital Market Measures				
7.1 Rules on center or network of derivatives exchange other than the Thailand Futures Exchange Plc.	SEC	19 January 2005	1 February 2005	
7.2 Permission to sell newly issued stocks (Issue No. 9)	SEC	15 February 2005	1 April 2005	
7.3 Rules, conditions and procedures of brokerage and dealing of non-debt instruments (Issue No.8)	SEC	28 February 2005	1 July 2005	
7.4 Rules, conditions and procedures for dealing of debt instruments (Issue No.9)	SEC	28 February 2005	1 July 2005	
7.5 Allocation of foreign investment by mutual funds and provident funds	SEC	19 April 2005	15 May 2005	
7.6 Conditions for collateral of securities borrowing and lending business (Issue No.4)	SEC	12 May 2005	1 June 2005	www.sec.or.th
7.7 Ratio of investment of mutual funds in foreign securities under SEC approval	SEC	18 May 2005	18 May 2005	
7.8 Investment in or holding of foreign securities or foreign assets by mutual funds and rules on investment ratio of mutual funds (Issue No.2)	SEC	18 May 2005	18 May 2005	
7.9 Permission to sell newly issued debentures (Issue No.6)	SEC	20 June 2005	16 July 2005	
7.10 Permission to sell newly issued derivative debentures (Issue No.4)	SEC	20 June 2005	16 July 2005	
7.11 Permission to sell newly-issued derivative warrants (Issue No.6)	SEC	20 June 2005	16 July 2005	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
7.12 Establishment of mutual funds and execution of agreement for management of private funds (Issue No.3)	SEC	22 June 2005	1 July 2005	
7.13 Rules for management of ETF mutual funds	SEC	18 July 2005	18 July 2005	
7.14 Permission to securities companies selling ETF mutual funds units without actual possession	SEC	22 August 2005	1 August 2005	
7.15 Rules, conditions, and procedures for establishment and management of property funds to resolve problems in the financial institution system (Issue No.9)	SEC	22 August 2005	1 September 2005	
7.16 Rules, conditions, and procedures for establishment and management of property funds and their claims (Issue No.5)	SEC	22 August 2005	1 September 2005	
7.17 Rules, conditions, and procedures for management of mutual funds to resolve problems in the financial institution system (Issue No.9)	SEC	22 August 2005	1 September 2005	www.sec.or.th
7.18 Trade in derivatives and related services offered by securities companies	SEC	13 September 2005	1 November 2005	
7.19 Rules, conditions, and procedures for permission on the sale of newly issued debentures to non-resident investors (Issue No.5)	SEC	12 October 2005	16 October 2005	
7.20 Sales of foreign bonds or debentures in Thailand (Issue No.2)	SEC	12 October 2005	16 October 2005	
7.21 Permission to offer newly issued derivatives debentures (Issue No.5)	SEC	12 October 2005	16 October 2005	

3.3 Others Measures	Source	Date of Announcement	Effective Dates	Link
7.22 Permission to sell bills and newly issued short-term debentures (Issue No.3)	SEC	12 October 2005	16 October 2005	
7.23 Permission to sell newly issued debentures (Issue No.7)	SEC	12 October 2005	16 October 2005	
7.24 Rules for operating derivatives exchange and derivatives clearing house (Issue No.2)	SEC	28 October 2005	16 November 2005	
7.25 Rules, conditions, and procedures for establishment and management of funds (Issue No.3)	SEC	28 October 2005	16 November 2005	
7.26 Approval to rating agencies in the issuance of bonds, debentures, and bills that are securities	SEC	31 October 2005	1 November 2005	
7.27 Opinions on accounting rules for capital reduction to compensate for cumulative losses	SEC	16 November 2005	16 November 2005	
7.28 Permission to sell bills that are securities and newly issued short-term debentures (Issue No.4)	SEC	16 November 2005	1 January 2006	www.sec.or.th
7.29 Permission to sell newly issued derivative debentures (Issue No.6)	SEC	16 November 2005	1 January 2006	
7.30 Permission to sell newly issued debentures (Issue No. 8)	SEC	16 November 2005	1 January 2006	
7.31 Classification of real estate in which real estate mutual funds are allowed to invest	SEC	28 November 2005	28 November 2005	
7.32 Computation of ratio of investment in Asian Bond Fund by mutual funds	SEC	15 December 2005	1 January 2006	
7.33 Rules for management of Long Term Equity Funds (Issue No.2)	SEC	21 December 2005	21 December 2005	
7.34 Regulations on securities companies' engagement in other businesses	SEC	28 December 2005	28 December 2005	