



## D&B Country RiskLine Report

**THAILAND**

Region : ASIA/PACIFIC

May 2005

### D&B COUNTRY RISK INDICATOR

<b>DB3c</b>	<p>This "DB" Rating Indicates:</p> <p>Slight risk</p> <p>Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.</p> <p>Trend:</p> <p>Stable - The country's overall risk outlook has not changed appreciably, even though some minor changes to its political, commercial, macroeconomic, and/or external risk environment may have occurred.</p>
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The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country. Essentially, the indicator seeks to encapsulate the risk that country-wide factors pose to the predictability of export payments and investment returns over a time horizon of two years. The 'DB' risk indicator comprises a composite index of four over-arching country risk categories:

- Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;
- Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;
- Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth and a commensurate expansion in business opportunities;
- External risk* - the current account balance, capital flows, foreign exchange reserves, size of external debt and all such factors that determine whether a country can generate enough foreign exchange to meet its trade and foreign investment liabilities.

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*The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an a designation representing slightly less risk than a b designation and so on. Only the DB7 indicator is not divided into quartiles*

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## USUAL TERMS

Minimum Terms:	L/C
The minimum advisable form of documentation or trading method under which D&B advise customers to pursue any form of export trade with stated country.	

Recommended Terms:	L/C
D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.	

Usual Terms:	30-90 days
Normal period of credit associated with transactions with companies in the stated country.	

According to D&B's payments performance data, the proportion of prompt payments increased in Q4 '04 to 58.2% from 56.7% in Q3 '04, while payments made 30 days beyond terms fell from 41.0% of the total to 38.9% over the same period. Going forward, we expect prompt and late payments to remain broadly stable at around their present levels.	
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## TRANSFER SITUATION

Local Delays:	1-2 months
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.	

FX/Bank Delays:	1-2 months
The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on foreign exchange controls, foreign exchange availability and the efficiency of the local banking system.	

Import Cover:	6.4 months
The amount of foreign exchange a country has in relation to the average monthly value of	

imported goods and services. Only liquid foreign exchange reserves from which a country can service its import requirements are included in this calculation.

The country's external position is comfortable. FX reserves (including gold) stood at USD48.7bn on 8 Apr. '05, compared with USD49.8 at the end of '04 and USD42.1bn at the end of '03. Preliminary data for Jan. showed that Thailand's total external debt amounted to USD51.2bn of which 29.2% was comprised of public debt and 70.0% was private debt.

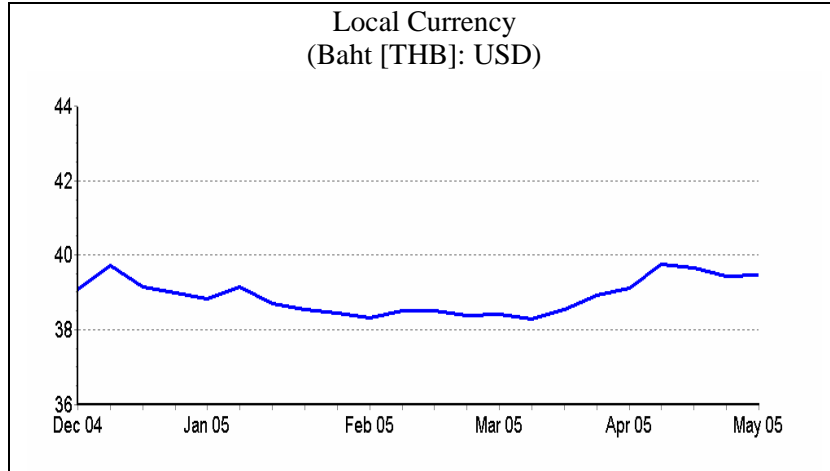
### Economic Indicators

	2002	2003	2004e	2005f	2006f
Real GDP growth, %	5.2	6.7	6.0	4.5	4.5
Inflation, yr end %	0.7	1.8	3.1	3.6	3.2
Govt balance, % GDP	-1.5	0.4	0.3	-1.3	-1.5
DSR, %	19.2	18.0	17.0	16.5	16.0
C/A balance, % GDP	5.5	4.1	3.9	2.9	3.8

### LOCAL CURRENCY

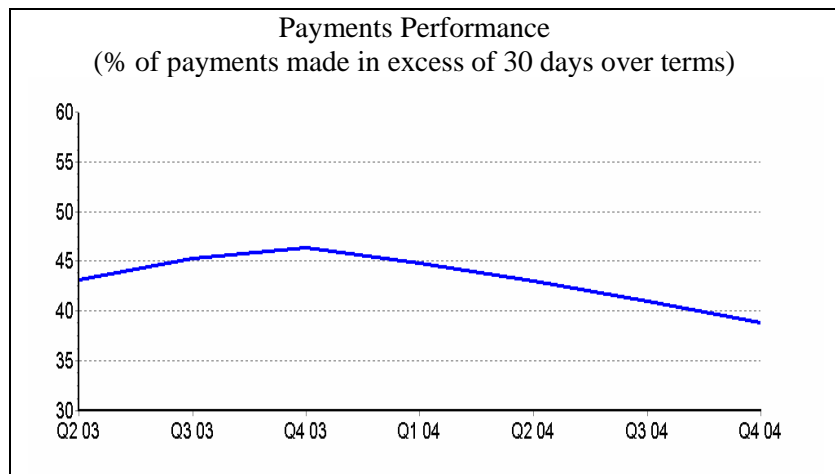
Local Currency (Baht [THB]: USD)	
Dec 04	39.1050
	39.7150
	39.1500
	38.9900
Jan 05	38.8500
	39.1600
	38.7065
	38.5600
Feb 05	38.4600
	38.3150
	38.5100
	38.5175
Mar 05	38.3850
	38.4150
	38.2900
	38.5400
Apr 05	38.9280
	39.1300

	39.7550
	39.6650
	39.4350
May 05	39.4600



**Exchange Rates**  
(London, 18 Apr 05)

EUR	51.2888
GBP	75.0957
JPY*	36.884
USD	39.665
*(x 100)	



<b>Payments Performance</b> (% of payments made in excess of 30 days over terms)
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Q2 03	Q3 03	Q4 03	Q1 04	Q2 04	Q3 04	Q4 04
43.2	45.3	46.4	44.8	43.0	41.0	38.9

### Export Credit Agencies

<b>US Eximbank</b>	Full cover available
<b>Atradius</b>	ST cover available
<b>ECGD</b>	Full cover available
<b>Euler Hermes UK</b>	Full ST cover available

### RISK FACTOR

Recent data releases are broadly in line with D&B's expectation of Thailand's steady transition to a lower economic growth path. Reflecting slower domestic and external demand, the manufacturing production index (MPI) declined by 1.6% y/y in Feb. This trend was corroborated by the deceleration in the growth rate of the private investment index (PII) which increased by 2.0% y/y in Feb. from 3.6% in the previous month. In turn, slowing investment demand and reduced manufacturing production were consistent with a marked reduction in the (industrial) capacity utilisation rate to 65.2% from 70.9% in Jan. One positive benefit of the slowing economy has been the reduction in inflationary pressures: in every month between Sep. '04 and Feb. '05, CPI inflation increased at a declining rate. This said, preliminary data for Mar. showed an increase in CPI inflation to 3.2% y/y. However, in D&B's opinion, it is too early to judge if this indicates a conclusive reversal of the prevailing trend.

On the trade front, exports grew by 5.9% y/y in Feb., the slowest increase since Aug. '04 and weaker than the 11.6% growth that occurred in Jan. Feb.'s deceleration in export growth was attributable largely to slower external demand for electronics and to a lesser extent, lower agricultural exports (reflecting the adverse impact of recent drought conditions). The strength of the Thai currency has also been a factor in the declining growth rate of exports: in Feb. the Baht continued to strengthen, averaging THB38.48:USD, representing an increase of more than 7% from the average in Oct. '04. Recent factors which have been supportive for the Baht include: 1) increased investor confidence following the conclusion of the Thai election in Feb.; and 2) weaker sentiment towards the US dollar, partly reflecting the concern that Asian central banks might begin to diversify away from US dollar-denominated assets.

Meanwhile, the security situation in some of Thailand's southern provinces remains unfavourable: since the start of '04, more than 700 people have been killed in clashes between Muslim insurgents and Thai security personnel. Human rights groups and some Muslim countries have criticised the Thai government for using excessive force in the affected regions. However, in recent months there have been signs that the government may be willing to pursue a somewhat softer line: in late Mar., Prime Minister Thaksin Shinawatra said he would reduce troop numbers in the south (although no specific number was indicated) and place greater emphasis on "investigation and prevention". This followed the earlier abandonment of an aggressive recommendation that development funds be withheld from Muslim areas ('red-zones')

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suspected of sympathising with the insurgents.
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## GLOSSARY

### Key:

C L/C	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
L/C	Letter of Credit
LT	Long-term
MT	Medium-term
OA	Open Account
SD	Sight Draft
ST	Short-term

## DEFINITIONS:

### *C/A (current account) balance, % GDP:*

A measure of a country's net trade, service, and other non-capital flows.

### *DSR (debt service ratio), %:*

The total of a country's debt interest and principal payments in relation to annual export revenues.

### *Govt balance, % GDP:*

The public sector balance expressed as a proportion of total domestic economic output.

### *Real GDP growth, %:*

The growth in the total goods and services produced within a country, taking account of inflation.

### *Inflation, %:*

The increase in consumer prices reported as an end-year or annual average figure.

### *Investment, % GDP:*

The proportion of total output directed toward investment.

### *Manufactures, % GDP:*

A measure of the importance of industry within an economy.

### *Non-oil sector, % GDP:*

The degree of dependency of an economy on oil.

### *Oil, US\$ p/b:*

Oil price per barrel.

### *Oil output, '000 bpd*

Average daily output of oil.

### *Public debt, % GDP:*

The total public sector debt in relation to the size of the domestic economy.

### *Trade balance, % GDP:*

A measure of a country's net import and export flows.

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*Unemployment, %:*

The percentage of the registered labour force that is unemployed.

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